

**NIKO SEMICONDUCTOR CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2021 AND 2022**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## **Auditor's Report**

Board of Directors of Niko Semiconductor Co., Ltd.:

### **Audit Opinions**

The Consolidated Balance Sheet of Dec. 31, 2021 and Dec. 31, 2022, and Consolidated Statement of Comprehensive income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and Consolidated Financial Reports annotations (including summary of major accounting policies) from Jan. 1 to Dec. 31 of 2021 and 2022 of Niko Semiconductor Co., Ltd. and its subsidiary (Niko Semiconductor Group) have been audited by the accountant.

According to the accountant's opinions, the Consolidated Financial Report are prepared according to the preparation standards of Financial Reports of securities issuer, and international financial report standards, international accounting standards, interpretation and interpretation announcement recognized and issued by Financial Supervisory Commission in all the major aspects based on the accountant's audit results and other accountants' audit reports (please refer to the section of other matters), which are sufficient to fairly reflect the consolidated financial status of Niko Semiconductor Group on Dec. 31 of 2021 and 2022 and consolidated financial performance and consolidated cash flow of the group from Jan. 1 to Dec. 31 of 2021 and 2022.

### **Basis for audit opinions**

The accountant carries out audit work according to the rules of accountant's audit certificate of financial statements and auditing standards. The accountant's responsibilities under the standards will be further explained in the responsibility section when the accountant audits the Consolidated Financial Report. In accordance with the code of professional ethics for accountants, the personnels of the accounting firm who are subject to the code of independence have maintained their independence from Niko Semiconductor Group and fulfilled other responsibilities of the code. Based on the accountant's audit results and other accountants' audit reports, the accountant believes that the accountant has obtained sufficient and appropriate audit evidences as basis for audit opinions.

### **Other matters**

The company's Financial Reports adopted with equity method for investment listed into the Consolidated Financial Reports of Niko Semiconductor Group have not been audited by the accountant and they are audited by other accountants. Therefore, among the accountant's opinions on Consolidated Financial Reports, the amount listed in the company's Financial

Reports adopted equity method for investment are based on the audit reports of other accountants. The aforementioned investment by equity method listed on Dec. 31, 2021 and Dec. 31, 2022 are occupied 2% and 4% of total assets and the share of affiliated enterprise's profit and loss by equity method listed from Jan. 1 to Dec. 31 of 2021 and 2022 are occupied 2% and 0% of net profit before tax.

The Niko Semiconductor Co., Ltd. has prepared individual Financial Reports of 2021 and 2022 and the accountant has respectively issued unqualified opinion adding other matters and unqualified opinion audit report for reference.

### **Key audit matters**

Key audit matters refer to the most important matters to the audit of Consolidated Financial Reports of Niko Semiconductor Group in 2022 according to the professional judgment of the accountant. The matters have been response in the process of auditing the overall Consolidated Financial Reports and forming audit opinions. The accountant does not separately express opinions on the matters. The key audit matters which shall be shown on the audit report according to the accountant's judgment are as follows:

#### **Inventory evaluation**

Please see details about the accounting policies related to inventory in Consolidated Financial Reports annotation 4(8); please see details about uncertainty of the estimate of inventory evaluation in Consolidated Financial Reports annotation 5; please see details about inventory and related loss in Consolidated Financial Reports annotation 6(4).

#### **Instructions on the key audit matters:**

Inventory is measured by the lower of cost and net realizable value. Because technology changes rapidly, update of new products and technology affects market demand. It might generate the risk that inventory cost exceeds its net realizable value. Because the available for sale of inventory will affect its value evaluation and continuous attention is required. Inventory is the important asset item of Consolidated Financial Reports. Therefore, inventory evaluation is one of the important evaluation matters that the accountant audits the Consolidated Financial Reports of Niko Semiconductor Group.

#### **How to response to the matter in audit**

The audit works carried out by the accountant include: understand inventory depreciation loss provision policy of Niko Semiconductor Group and check its inventory evaluation has been carried out according to existing accounting policies, including implementation of sampling procedure and check of correctness of inventory ages, analysis on change circumstances of inventory ages in various periods; check of reasonableness of withdrawal of the authority of inventory reserves loss in the past and comparison with the method and hypothesis of current

inventory reserves loss estimated to evaluate whether the estimate method and hypothesis of current inventory reserves loss are fair and appropriate. Check the post-term sales status of inventory to evaluate the reasonableness of estimate of inventory reserves evaluation.

### **Responsibilities of management layer and governance unit on Consolidated Financial Reports**

Responsibility of management layer is to prepare the Consolidated Financial Reports with fair and appropriate expression according to the preparation standards of Financial Reports of securities issuer and internal accounting report standards, international accounting standards, interpretation and interpretation announcement recognized and issued by Financial Supervisory Commission and maintain the necessary internal control related to preparation of Consolidated Financial Reports to ensure that there is no significant misrepresentation caused by fraudulent practices or error in the Consolidated Financial Reports.

When preparing the Consolidated Financial Reports, the responsibility of management layer includes evaluation of sustainable operation ability of Niko Semiconductor Group, disclosure of related matters and continuous operation accounting base, unless management layer intends to liquidate Niko Semiconductor Group or stop business, or there are no other feasible solutions except for liquidation or stoppage of business.

Governance unit (including Audit Committee) of Niko Semiconductor Group bears the responsibility of supervising the process of financial report.

### **Accountant's responsibility in audit of Consolidated Financial Reports**

The purpose of the accountant's audit of Consolidated Financial Reports is to obtain reasonable assurance about whether the Consolidated Financial Reports exists significant misrepresentation caused by fraudulent practices or error and issue audit report. Reasonable assurance is high assurance. The audit work carried out according to auditing standards cannot guarantee to find that Consolidated Financial Reports exist significant misrepresentation. False expression might be caused by fraudulent practices or error. If the individual amount or total number of false expression can reasonably predict the economic decision that will influence the user of Consolidated Financial Reports, then it will be deemed as significance.

When the accountant audits according to auditing standards, the accountant will use professional judgment and keep professional doubt. The accountant also carries out the following works:

1. Recognize and evaluate the significant misrepresentation risk of Consolidated Financial Reports caused by fraudulent practices or error; design and implement the appropriate response to the evaluated risk; obtain sufficient and appropriate audit evidences as basis for audit opinions. Because fraudulent practices might involve in collusion, forge, intentional omission, false statement or exceeding internal control, the risk of significant misrepresentation caused by fraudulent practices is not found is higher than that of error.
2. Obtain necessary understanding on the internal control related to audit to design the appropriate audit procedures under the situation. The purpose is not to express opinions on the effectiveness of internal control of Niko Semiconductor Group.
3. Evaluate the appropriateness of the accounting policies adopted by management layer and the reasonableness of the accounting estimate and related disclosure made by it.
4. According to the obtained audit evidences, make conclusion on the appropriateness of the continuous operation accounting base adopted by the management layer and whether the event or situation which might generate major doubt about the sustainable operation ability of Niko Semiconductor Group exists major uncertainty or not. If the accountant thinks that the event or situation exists major uncertainty, the accountant shall remind the user of Consolidated Financial Reports to pay attention to the relevant disclosure of Consolidated Financial Reports in the audit report or correct audit opinions when the disclosure belongs inappropriateness. The accountant's conclusion is based on the audit evidences obtained as of audit report date. However, the future event or situation might lead to that the Niko Semiconductor Group will not have sustainable operation ability.
5. Evaluate the overall expression, structure and contents of Consolidated Financial Reports (including relevant annotations) and whether the Consolidated Financial Reports fairly and appropriately express relevant trades and events.
6. Obtain sufficient and appropriate audit evidences about the financial information of group's individuals to express opinions on Consolidated Financial Reports. The accountant is responsible for guiding, supervising and implementing the audit case and forming audit opinions of Group.

The matters communicated by the accountant with governance unit include planned audit scope and time and major audit findings (including the internal control significant loss recognized in the process of audit).

The accountant also provides the governance unit with the statement that the personnels of the accounting firm who are subject to the code of independence have abided by the related independence in the code of professional ethics of accountant and communicates with governance unit about all the relations which might be thought to affect the accountant's independence and other matters (including related prevention and protection measures).

The accountant will decide the key audit matters to the audit of Consolidated Financial Reports of Niko Semiconductor Group in 2022 from the matters communicated with governance unit. The accountant will clearly state the matters in the audit report, unless the special matter is forbidden by laws for public disclosure, or under rare situation, the accountant will decide not to communicate the special matter in the audit report, because it can be reasonably expected that the negative impact of this communication will be greater than the public interest.

KPMG Taiwan

Fu, Hong-Wen

Hong, Shi-Gang

March 17, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

**Niko Semiconductor Co., Ltd. and Subsidiaries**

**Consolidated Balance Sheet**

Dec. 31 of 2021 and 2022

**Unit: NTD thousand**

		<b>2022.12.31</b>		<b>2021.12.31</b>				<b>2022.12.31</b>		<b>2021.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and equivalent cash (Note 6(1))	\$ 1,201,443	35	1,189,955	38	2120	Financial liabilities measured at fair value	\$ -	-	1,909	-
1110	Financial assets measured at fair value through profits and losses - Current(Note 6(2))	317	-	-	-	2170	through profits and losses - Current(Note 6(2))				
1170	Net accounts receivable(Note 6(3) and (15))	737,473	22	954,195	30	2180	Accounts payable	432,458	13	523,377	17
1180	Accounts receivable – Net amount of Related parties(Note 6(3) 、(15) and 7)	-	-	30,864	1	2200	Accounts payable-Related parties (Note 7)	66	-	2,047	-
1200	Other receivables(Note 7)	18,186	-	16,295	1	2230	Other payables (Note 7)	229,551	7	202,873	7
130X	Inventory (Note 6(4))	813,024	24	393,774	13	2280	Current income tax liabilities	81,668	2	67,425	2
1470	Other current assets(Note 9)	44,063	1	14,108	-	2300	Lease liabilities –current(Note 6(9))	2,321	-	1,498	-
	<b>Total current assets</b>	<u>2,814,506</u>	<u>82</u>	<u>2,599,191</u>	<u>83</u>		Other current liabilities(Note 6(15) and 7)	2,776	-	9,081	-
							<b>Total current liabilities</b>	<u>748,840</u>	<u>22</u>	<u>808,210</u>	<u>26</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1550	Investments by equity method(Note 6(5) and 7)	148,647	5	77,898	3	2580	Lease liabilities-non-current(Note 6(9))	2,431	-	3,212	-
1600	Property, plant and equipment (Note 6(6) and 8)	304,723	9	290,434	9	2600	Other non-current liabilities(Note 6(11) and (12))	3,787	-	11,286	-
1755	Use right assets (Note6(7))	4,664	-	4,710	-		<b>Total non-current liabilities</b>	<u>6,218</u>	<u>-</u>	<u>14,498</u>	<u>-</u>
1760	Net Investment property (Note 6(8) and 8)	70,970	2	71,577	2		<b>Total liabilities</b>	<u>755,058</u>	<u>22</u>	<u>822,708</u>	<u>26</u>
1840	Deferred income tax assets(Note 6(12))	11,789	-	11,830	-	<b>Equity attributable to the owner of the parent company:</b>					
1900	Other non-current assets(Note 9)	74,689	2	80,635	3	3110	Capital stock of common stock(Note 6(13))	612,515	18	612,515	20
	<b>Total non-current assets</b>	<u>615,482</u>	<u>18</u>	<u>537,084</u>	<u>17</u>	3200	Capital reserves(Note 6(13))	630,512	18	630,512	20
						3310	Legal reserves(Note 6(13))	202,903	6	167,537	5
						3320	Special reserves(Note 6(13))	3,645	-	3,306	-
						3350	Undistributed earnings (Note 6(13))	1,228,643	36	903,342	29
						3400	Other equity	(3,288)	-	(3,645)	-
							<b>Total equity</b>	<u>2,674,930</u>	<u>78</u>	<u>2,313,567</u>	<u>74</u>
<b>Total assets</b>		<u>\$ 3,429,988</u>	<u>100</u>	<u>3,136,275</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 3,429,988</u>	<u>100</u>	<u>3,136,275</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Niko Semiconductor Co., Ltd. and Subsidiaries**

**Consolidated Statements of Comprehensive Income**

**Jan. 1 to Dec. 31 of 2021 and 2022**

**Unit: NTD thousand**

		<b>2022</b>		<b>2021</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating income (Note 6(15) and 7)</b>	\$ 2,613,483	100	2,858,970	100
5000	<b>Operating costs (Note 6(4), (11), (16), 7 and 12)</b>	<u>1,805,394</u>	<u>69</u>	<u>2,013,836</u>	<u>70</u>
	<b>Gross operating profits</b>	<u>808,089</u>	<u>31</u>	<u>845,134</u>	<u>30</u>
	<b>Operating expenses (Note 6(3), (9), (11), (16), 7 and 12):</b>				
6100	Sales promotion expenses	105,879	4	105,343	4
6200	Management expenses	148,343	6	150,365	5
6300	Research and development expenses	179,081	7	140,267	5
6450	Expected credit impairment loss (Reversal benefit)	<u>(320)</u>	<u>-</u>	<u>102</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>432,983</u>	<u>17</u>	<u>396,077</u>	<u>14</u>
	<b>Net operating profits</b>	<u>375,106</u>	<u>14</u>	<u>449,057</u>	<u>16</u>
	<b>Non-operating income and expenditure :</b>				
7010	Other income (Note 6(17) and 7)	6,172	-	6,837	-
7020	Other profit and loss (Note 6(5) and (17))	178,319	7	(14,274)	-
7050	Financial costs (Note 6(9) and (17))	<u>(232)</u>	<u>-</u>	<u>(70)</u>	<u>-</u>
7060	Share of interests of affiliated enterprises recognized by equity method (Note 6(5))	<u>(1,462)</u>	<u>-</u>	<u>6,244</u>	<u>-</u>
	<b>Total non-operating income and expenditure</b>	<u>182,797</u>	<u>7</u>	<u>(1,263)</u>	<u>-</u>
	<b>Net profit before tax</b>	557,903	21	447,794	16
7950	<b>Minus: Income tax expenses (Note 6(12))</b>	<u>124,411</u>	<u>4</u>	<u>93,726</u>	<u>4</u>
	<b>Net profit</b>	<u>433,492</u>	<u>17</u>	<u>354,068</u>	<u>12</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not reclassified to profit and loss</b>				
8311	Remeasurements of defined welfare plans (Note 6(11))	1,270	-	(504)	-
8320	Share of Other comprehensive income of affiliated enterprises recognized by equity method (Note 6(5))	<u>(669)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8349	Income tax related to items not reclassified (Note 6(12))	<u>(254)</u>	<u>-</u>	<u>101</u>	<u>-</u>
	<b>Total Items not reclassified to profit and loss</b>	<u>347</u>	<u>-</u>	<u>(403)</u>	<u>-</u>
8360	<b>Items that may be reclassified to profit and loss in subsequent periods</b>				
8361	Exchange differences on the translation of financial statements of foreign operating organizations	1,282	-	(423)	-
8399	Income tax related to items that may be reclassified (Note 6(12))	<u>(256)</u>	<u>-</u>	<u>84</u>	<u>-</u>
	<b>Total items that may be reclassified to profit and loss in subsequent periods</b>	<u>1,026</u>	<u>-</u>	<u>(339)</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>1,373</u>	<u>-</u>	<u>(742)</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 434,865</u>	<u>17</u>	<u>353,326</u>	<u>12</u>
	<b>Earnings per share (NTD) (Note 6(14))</b>				
	<b>Basic earnings per share (NTD)</b>	<u>\$ 7.08</u>		<u>5.78</u>	
	<b>Diluted earnings per share (NTD)</b>	<u>\$ 6.85</u>		<u>5.67</u>	

The accompanying notes are an integral part of the consolidated financial statements.



Niko Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

Jan. 1 to Dec. 31 of 2021 and 2022

Unit: NTD thousand

	Equity attributable to owners of parent company							
	Capital stock of common stock	Capital reserves	Retained Earnings			Items of Other Equity		Total Equity
			Legal reserves	Special reserves	Undistributed earnings	Exchange differences on the translation of foreign operating organizations	Unrealized profit or loss on financial assets measured at fair value through other comprehensive income	
<b>Balance on Jan. 1, 2021</b>	\$ 612,515	630,512	149,013	3,594	629,165	(3,306)	-	2,021,493
Net profit	-	-	-	-	354,068	-	-	354,068
Other comprehensive income	-	-	-	-	(403)	(339)	-	(742)
Total comprehensive income	-	-	-	-	353,665	(339)	-	353,326
Appropriation and distribution of earnings:								
Withdrawn legal reserves	-	-	18,524	-	(18,524)	-	-	-
Reverse special reserves	-	-	-	(288)	288	-	-	-
Cash dividend of common stock	-	-	-	-	(61,252)	-	-	(61,252)
<b>Balance on Dec. 31, 2021</b>	612,515	630,512	167,537	3,306	903,342	(3,645)	-	2,313,567
Net profit	-	-	-	-	433,492	-	-	433,492
Other comprehensive income	-	-	-	-	1,016	1,026	(669)	1,373
Total comprehensive income	-	-	-	-	434,508	1,026	(669)	434,865
Appropriation and distribution of earnings:								
Withdrawn legal reserves	-	-	35,366	-	(35,366)	-	-	-
Withdrawn special reserves	-	-	-	339	(339)	-	-	-
Cash dividend of common stock	-	-	-	-	(73,502)	-	-	(73,502)
<b>Balance on Dec. 31, 2022</b>	<u>\$ 612,515</u>	<u>630,512</u>	<u>202,903</u>	<u>3,645</u>	<u>1,228,643</u>	<u>(2,619)</u>	<u>(669)</u>	<u>2,674,930</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Niko Semiconductor Co., Ltd. and Subsidiaries**  
**Consolidated Cash Flows Statement**  
**Jan. 1 to Dec. 31 of 2021 and 2022**

Unit: NTD thousand

	2022	2021
<b>Cash flows of operating activities:</b>		
Current net profit before tax	\$ 557,903	447,794
Items of adjustment:		
Income expense loss item		
Depreciation expenses	22,755	21,433
Amortization expenses	328	201
Expected credit impairment loss (reversal benefit)	(320)	102
Net loss (profit) of financial assets and liabilities by fair value through profit and loss	(2,226)	5,723
Interest expenses	232	70
Interest income	(2,605)	(258)
Share of profit or loss of affiliated enterprises recognized by equity method	1,462	(6,244)
Loss of disposal and scrap of property, plant and equipment	14	91
Other	20,198	(6,586)
Total income expense loss item	39,838	14,532
Changes in assets and liabilities related to operating activities:		
Accounts receivable (including related parties)	247,906	(86,275)
Other receivables	(1,891)	(5,523)
Inventory	(468,945)	34,821
Other current assets	(18,906)	(641)
Long-term prepayment	(6,357)	(82,066)
Total net changes in assets related to operating activities	(248,193)	(139,684)
Accounts payable (including related parties)	(92,900)	250,906
Other payables	26,568	68,290
Other current liabilities	(6,305)	5,010
Net defined benefit liabilities	(2,231)	(2,223)
Total net changes in liabilities related to operating activities	(74,868)	321,983
Total net changes in assets and liabilities related to operating activities	(323,061)	182,299
Total items of adjustment	(283,223)	196,831
Cash inflow from operations	274,680	644,625
Collected interest	2,605	258
Collected dividend	2,932	-
Paid interest	(232)	(70)
Paid income tax	(108,943)	(45,187)
Net cash inflow from operating activities	171,042	599,626
<b>Cash flows of investment activities:</b>		
Obtain investments accounted for using equity method	(45,000)	-
Property, plant and equipment	(34,433)	(15,199)
Disposal of Property, plant and equipment	5	19
Decrease in refundable deposits	2,515	4,994
Obtain intangible assets	(1,588)	-
Decrease in other current assets	-	3,744
Net cash outflow from investment activities	(78,501)	(6,442)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in deposits received	(5,706)	5,699
Repayment of lease principal	(1,892)	(2,241)
Distribution of cash dividends	(73,502)	(61,252)
Net cash outflow from financing activities	(81,100)	(57,794)
Impact of exchange rate changes on cash and equivalent cash	47	(138)
Current increase of cash and equivalent cash	11,488	535,252
Balance of cash and equivalent cash at the beginning of the period	1,189,955	654,703
Balance of cash and equivalent cash at the ending of the period	<u>\$ 1,201,443</u>	<u>1,189,955</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Niko Semiconductor Co., Ltd. and Subsidiaries**  
**Consolidated Financial report Note**  
**2021 and 2022**

(Unless otherwise specified, all amounts are in unit of NT\$ thousands)

**I. Company History**

Niko Semiconductor Co., Ltd. (hereinafter referred to as “the Company”) was established with the approval of the Ministry of Economy on October 8, 1998. Its original name was Super GEM Co., Ltd. In April 2001, the Company changed its name to the existing name and registered at 12th floor, No.368, Gongjian Road, Xizhi District, New Taipei City. The main business items of the Company and its subsidiaries (hereinafter referred to as the "merged company") are the research, development, design and sales of analog IC that can be applied to communications, computers, computer peripherals, video, power supply and other consumer products. Please refer to Note 14 for details. The Company’s shares have been listed and traded on Taiwan OTC since August 2007.

**II. Date and Procedure through Financial Statement**

This Consolidated Financial Statement was approved and issued by the Board of Directors on March 17, 2023.

**III. Application of Newly Issued and Revised Standards and Interpretations**

- (I) Effect of adoption of the amendments and interpretations endorsed by the Financial Supervisory Commission (“FSC”)

The merged company adopted the following newly amended IFRS since January 1, 2022, which did not have a material impact on the consolidated financial report.

- Amendment to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendment to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (II) Effect of not adopting IFRS endorsed by the FSC

The merged company evaluated the following newly amended IFRS application. It will come into effect on January 1, 2023, which shall not pose a material impact on the individual financial statements.

- Amendment to IAS 1 “Disclosure of Accounting Policies”
- Amendment to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### (III) New and amended standards and interpretations not yet endorsed by the FSC

The standards and interpretations issued and amended by the International Accounting Standards Board (“IASB”) not yet endorsed by the FSC but may be relevant to the merged company are as follows:

Newly Issued or Amended Standards	Major Amendments	Effective Date of Standards Issued by the IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The requirement has removed for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance</p> <p>The amendments also clarify how a company classifies a liability that can be settled in its own equity instruments (e.g. convertible bond).</p>	January 1, 2024

The merged company continues to evaluate the effect of the above standards and interpretations posed on the Company’s financial condition and management results. Related effects will be disclosed upon the completion of the evaluation.

The merged company expects that the following other newly issued and amended standards not yet endorsed will impact the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets between Investors and its Associate or Joint Ventures"
- Amendments to IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendment to IAS 1 “Non-current liabilities with covenants”
- Amendment to IFRS 16 “Lease liability in a Sale and Leaseback”

## IV. Summary Description of Major Accounting Policies

The major accounting policies adopted in this consolidated financial report are summarized as follows. Unless otherwise stated, the following accounting policies have been uniformly applied to all expression periods of this consolidated financial report.

### (I) Follow the Statement

This consolidated financial report is prepared in accordance with the "Composing Criteria for Financial Report of Securities Issuers" (hereinafter referred to as the "Composing

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

Criteria") and the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcement (hereinafter referred to as the "International Financial Reporting Standards Approved by the Financial Supervisory Commission").

### **(II) Composing Basis**

#### **1. Measurement Basis**

Except for the following important items in the balance sheet, this consolidated financial report is prepared on the basis of historical cost:

- (1) Financial assets and liabilities measured at fair value through profit or loss;
- (2) The net defined welfare liability is based on the fair value of pension plan assets minus the present value of the defined welfare obligation.

#### **2. Functional Currency and Expressive Currency**

Each entity of the merged company takes the currency of the main economic environment in which each operation is located as its functional currency. This consolidated statement is expressed in NTD, the functional currency of the Company. All financial information expressed in NT\$ thousands.

### **(III) Merged Basis**

#### **1. Principles of Composing Consolidated Financial report**

The entities preparing the consolidated financial report include the Company and the individuals controlled by the Company (i.e. subsidiaries). When the Company is exposed to or has the right to the variable remuneration from its participation in the investee, and has the ability to influence the remuneration through its power over the investee, the Company controls the investee.

From the date of controlling the subsidiary, its financial report will be included in the consolidated financial report until the date of losing control. Transactions, balances, and any unrealized gains and losses between the merged company have been eliminated in full when the consolidated financial report was prepared. The total consolidated profit and loss of subsidiaries are attributed to the owners and non-controlling interests of the Company respectively, even if the non-controlling interests become loss balances.

The financial reports of subsidiaries have been properly adjusted to make their accounting policies consistent with those adopted by the merged company.

Changes in the ownership interests of subsidiaries of the merged company that do not result in loss of control over subsidiaries are treated as equity transactions with owners. The difference between the adjustment of non-controlling interests and the fair value of the consideration paid or received is directly recognized in equity and attributed to the owners of the Company.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

2. The subsidiaries included in this consolidated financial report include:

Investment Company Company Name	Subsidiary Name	Business Property	Shareholding Percentage	
			2022.12.31	2021.12.31
The Company	Jinrong Investment Co., Ltd. (Jinrong Investment )	Holding Company	100%	100%
The Company	Power Up Tech Co., Ltd. (Power Up)	Holding Company	100%	100%
Power Up	Wuxi Super GEM Micro Electric Co., Ltd (Wuxi Super GEM )	Manufacturing, development and sales of metal oxide semiconductors, providing product quality monitoring and testing services; Sell self-produced products	100%	100%

### (IV) Foreign Currency

#### 1. Foreign Currency Transaction

Foreign currency transactions are translated into functional currencies at the exchange rate of the trading day. Foreign currency monetary items on the end date of each subsequent reporting period (hereinafter referred to as the "reporting date") are converted into functional currencies at the exchange rate of the day. Foreign currency non-monetary items measured at fair value are translated into functional currencies at the exchange rate on the date of fair value measurement, while foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the trading day.

#### 2. Foreign Operating Institutions

The assets and liabilities of foreign operating institutions, including goodwill and fair value adjustment arising from acquisition, are translated into NT dollars at the exchange rate on the reporting date; Income and expense items are converted into NT dollars at the current average exchange rate, and the resulting exchange differences are recognized as other comprehensive gains and losses.

### (V) Classification criteria for distinguishing current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

1. Expect to realize the asset in its normal business cycle, or intend to sell or consume it;
2. Holding the asset mainly for trading purposes;
3. It is expected that the asset will be realized within twelve months after the reporting period; or
4. The asset is cash or equivalent cash, except that there are other restrictions on the exchange or use of the asset to pay off liabilities at least twelve months after the reporting period.

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

Liabilities that meet one of the following conditions are listed as current liabilities, and all other liabilities that are not current liabilities are listed as non-current liabilities:

1. It is expected that the liability will be paid off in the normal business cycle;
2. Holding the debt mainly for trading purposes;
3. It is expected that the liability will be paid off within twelve months after the reporting period; or
4. Liabilities without the right to unconditionally extend the repayment period to at least twelve months after the reporting period. The terms of liabilities may be paid off by issuing equity instruments at the choice of the counter-party, which does not affect their classification.

### **(VI) Cash and equivalent cash**

Cash includes cash on hand and bank deposits. Equivalent cash refers to short-term and highly liquid investments that can be converted into fixed cash at any time with little risk of value change. Time deposits that meet the above definition and are held for short-term cash commitments rather than investment or other purposes are reported as equivalent cash.

### **(VII) Financial Instrument**

Accounts receivable are originally recognized when they are incurred. All other financial assets and financial liabilities were originally recognized when the merged company became a party to the terms of the financial instrument contract. Financial assets not measured at fair value through profit or loss (except accounts receivable excluding significant financial components) or financial liabilities are originally measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable without significant financial components were originally measured at transaction prices.

#### **1. Financial Asset**

If the purchase or sale of financial assets conforms to the conventional transaction, all purchases and sales of financial assets classified in the same way by the merged company shall be uniformly accounted for on the trading day or delivery date.

At the time of original recognition, financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value through profit or loss. Only when the merged company changes its business model of managing financial assets, it will reclassify all affected financial assets from the first day of the next reporting period.

#### **(1) Financial assets measured at amortized cost**

When financial assets meet the following conditions and is not specified to be measured at fair value through profit or loss, it is measured at amortized cost:

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

- The financial assets are held under the business model for the purpose of collecting contract cash flow.
- The contractual terms of the financial assets generate cash flow on a specific date, which is solely for paying interest on the principal and the principal amount in circulation.

The accumulated amortization of these assets is calculated by the effective interest method with the original recognized amount plus or minus, and the amortized cost of any allowance loss is adjusted. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit or loss. When excluded, profit or loss is included in profit or loss.

### **(2) Financial assets measured at fair value through profit or loss**

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income or loss are measured at fair value through profit or loss, including derivative financial assets. At the time of original recognition, in order to eliminate or significantly reduce the improper accounting matching, the merged company may irrevocably designate the financial assets that meet the conditions of measuring at amortized cost or measuring at fair value through other comprehensive income as financial assets measured at fair value through profit and loss.

These assets are subsequently measured at fair value, and their net gain or loss (including any dividend and interest income) is recognized as profit or loss.

### **(3) Impairment of financial assets**

The merged company recognizes allowance losses for the expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, deposit margin and other financial assets, etc.).

The following financial assets are measured according to the expected credit loss amount in twelve months, and the rest are measured according to the expected credit loss amount during the existence period:

- Judging that the credit risk of debt securities on the reporting date is low; and
- The credit risk of other debt securities and bank deposits (that is, the risk of default during the expected lifetime of financial instruments) has not increased significantly since the original recognition.

The allowance loss of accounts receivable is measured according to the expected credit loss amount during the existence period.

The expected credit loss during the lifetime refers to the expected credit loss caused by all possible default events during the expected lifetime of a financial instrument.



## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

The 12 months expected credit loss refers to the expected credit loss caused by the possible default of the financial instrument within 12 months after the reporting date (or a shorter period, if the expected duration of the financial instrument is shorter than 12 months).

The longest period for measuring the expected credit loss is the longest contract period during which the merged company is exposed to credit risk.

When judging whether the credit risk has increased significantly since the original recognition, the merged company considers reasonable and verifiable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and analysis based on the historical experience, credit evaluation and forward-looking information of the merged company.

If the contract payment is overdue for more than 30 days, the merged company assumes that the credit risk of financial assets has increased significantly.

If the contract payment is overdue for more than 180 days, or the borrower is unlikely to fulfill its credit obligation and pay the full amount to the merged company, the merged company shall be deemed to have defaulted on the financial assets.

The expected credit loss is the probability weighted estimate of the credit loss during the expected lifetime of a financial instrument. Credit loss is measured by the present value of all cash short receipts, that is, the difference between the cash flow that the merged company can receive according to the contract and the cash flow that the merged company expects to receive. Expected credit losses are discounted at the effective interest rate of financial assets.

On each reporting date, the merged company evaluates whether the financial assets measured at amortized cost have credit impairment. When one or more events adversely affecting the estimated future cash flow of financial assets have occurred, the credits of the financial assets have been impaired. Evidence of credit impairment of financial assets includes observable data on the following matters:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or overdue for more than 180 days;
- For economic or contractual reasons related to the borrower's financial difficulties, the merged company gives concessions to the borrower that would not have been considered;
- It is very possible that the borrower will file for bankruptcy or other financial restructuring; or
- The active market of the financial asset disappears due to financial difficulties.

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

The allowance loss of financial assets measured at amortized cost is deducted from the carrying amount of the assets.

When the merged company cannot reasonably expect the whole or part of the recovered financial assets, it directly reduces the total book amount of its financial assets. The merged company analyzes the timing and amount of write-off individually on the basis of whether it is reasonably expected to be recoverable. The merged company expects that the written-off amount will not be significantly reversed. However, the written-off financial assets can still be enforced, so as to comply with the procedures of the merged company to recover the overdue amount.

### **(4) Exclusion of financial assets**

The merged company will exclude financial assets only when the contractual right to cash flow from the assets is terminated, or when the financial assets have been transferred and almost all risks and rewards of ownership of the assets have been transferred to other enterprises, or when almost all risks and rewards of ownership have neither been transferred nor retained and control of the financial assets has not been retained.

When the merged company signs a transaction to transfer financial assets, if all or almost all risks and rewards of ownership of the transferred assets are retained, they will continue to be recognized in the balance sheet.

## **2. Financial liabilities and equity instruments**

### **(1) Classification of liabilities or equity**

Debt and equity instruments issued by the merged company are classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities and equity instruments.

### **(2) Equity instruments**

Equity instruments refer to any contract that recognizes the remaining interests of the merged company after deducting all its liabilities from its assets. Equity instruments issued by the merged company are recognized at the amount obtained after deducting direct issuance costs.

### **(3) Financial liabilities**

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives or designated at the time of original recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and related net benefits and losses, including any interest

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

expenses, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost by effective interest method. Interest expenses and exchange gains and losses are recognized in profit or loss. Any profit or loss at the time of exclusion is also recognized in profit or loss.

### **(4) Exclusion of financial liabilities**

The merged company excludes financial liabilities when its contractual obligations have been fulfilled, cancelled or expired. When the terms of financial liabilities are revised and the cash flows of the revised liabilities are significantly different, the original financial liabilities are excluded and new financial liabilities are recognized at fair value based on the revised terms.

When excluding financial liabilities, the difference between the book amount and the total consideration paid or payable (including any transferred non-cash assets or liabilities assumed) is recognized as profit or loss.

### **(5) Offset of financial assets and liabilities**

Financial assets and financial liabilities are offset against each other only when the merged company has the legally enforceable right to offset against each other and intends to settle the assets and pay off the liabilities in net amount, and then they are expressed in the balance sheet in net amount.

## **3. Derivative financial instruments**

The merged company holds derivative financial instruments to avoid the sudden risks of foreign currency and interest rate risks.

Derivative instruments are initially recognized at fair value; Subsequent measurement is based on fair value, and the benefits or losses arising from re-measurement are directly included in profit or loss.

## **(VIII) Inventory**

Inventory is measured at the lower of cost and net realized value. Costs include acquisition, production or processing costs and other costs incurred to make it available for use, and are calculated by the weighted average method.

The net realized value refers to the balance of the estimated selling price under normal operation minus the estimated cost for completion and the estimated cost for completion of sale.

## **(IX) Investing in affiliated enterprises**

Affiliate refers to the merged company that has a significant impact on its financial and operational policies, but is not controlled or jointly controlled.

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

The rights and interests of affiliated enterprises of the merged company are treated by the equity method. Under the equity method, the original acquisition is recognized at cost, and the investment cost includes the transaction cost. The book amount of investment related enterprises includes the goodwill identified at the time of original investment, less any accumulated impairment losses.

The consolidated financial report includes the amount of profit and loss and other comprehensive income of each investment-related enterprise recognized by the merged company according to the proportion of equity after adjusting the consistency with the accounting policies of the merged company from the date of significant influence to the date of loss of significant influence.

Unrealized benefits and losses arising from transactions between the merged company and affiliated enterprises are recognized in the financial reports of the enterprise only to the extent unrelated to investors' rights and interests in affiliated enterprises.

When the merged company should recognize the loss share of the affiliated enterprise proportionally equal to or exceed its rights and interests in the affiliated enterprise, it will stop recognizing its losses, and recognize additional losses and related liabilities only within the scope of legal obligations, constructive obligation or payment on behalf of the invested company.

### **(X) Investment property**

Investment property initially measured at cost, and subsequently measured at cost MINUS accumulated depreciation and accumulated impairment. Its depreciation method, service life and residual value are treated according to the regulations on property, plant and equipment.

The profit or loss from disposal of investment property (calculated as the difference between the net disposal price and the book amount of the project) is recognized in profit or loss.

Rental income from investment property is recognized in other income on a straight-line basis during the lease period. Incentives to lease are recognized as part of the lease income during the lease period.

### **(XI) Property, plant and equipment**

#### **1. Recognition and measurement**

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

If the service life of major components of property, plant and equipment is different, they will be treated as separate items (major components) of property, plant and equipment.

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

Profit or loss on property, plant and equipment are recognized in profit or loss.

### **2. Subsequent costs**

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the merged company.

### **3. Depreciation**

Depreciation is calculated at the cost of assets less the residual value, and is recognized in profit or loss within the estimated service life of each component using the straight-line method.

Land will not be depreciated.

The estimated useful lives of the current and comparative periods are as follows:

- (1) House and building: 3~50 years
- (2) Office and other equipment: 2~8 years

The merged company shall review the depreciation method, service life and residual value on the reporting date of each year, and make appropriate adjustments when necessary.

## **(XII) Lease**

The Company evaluates whether the contract is a lease or not on the establishment date of the contract. If the contract transfers the control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or not.

### **1. Lessee**

The Company recognizes the right to use assets and lease liabilities on the lease start date. The right to use assets is originally measured by the cost, which includes the original measured amount of the lease liabilities, adjusts any lease payment paid on or before the lease start date, and adds the original direct costs incurred and the estimated costs for dismantling and removing the underlying assets and restoring their location or the underlying assets, and deducts any lease incentives.

The right-to-use assets are subsequently depreciated on a straight-line basis from the lease start date to the expiration of the service life of the right-to-use assets or the expiration of the lease period. In addition, the Company regularly evaluates whether the right to use assets are impaired and handles any impairment losses that have occurred, and adjusts the right to use assets when the lease liabilities are re-measured.

Lease liabilities are originally measured by the present value of unpaid lease payments on the lease start date. If the implied interest rate of lease is easy to define, the discount rate is that interest rate; if it is not easy to define, the increased borrowing rate of the company will be used. Generally speaking, the Company adopts its increased borrowing rate as the discount rate.

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

Lease payments included in the measurement of lease liabilities include:

- (1) Fixed payment, including substantial fixed payment;
- (2) The lease payment that depends on the change of a certain index or rate is originally measured by the index or rate on the lease start date.
- (3) The residual value guarantee amount expected to be paid; and
- (4) The exercise price or the penalty to be paid when it is reasonably defined that the purchase option or the lease termination option will be exercised.

The lease liabilities are accrued with the effective interest method, and the amount is measured again when the following situations occur:

- (1) Changes in the index or rate used to define the lease payment lead to changes in future lease payment;
- (2) The amount of residual value guarantee expected to be paid has changed;
- (3) There is a change in the evaluation of the purchase option of the underlying asset;
- (4) The estimation of whether to extend or terminate the option has changed, and the evaluation of the lease period has changed;
- (5) Modification of the lease object, scope or other terms.

When the lease liabilities are re-measured due to changes in the index or rate used to define the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of purchase, extension or termination options, the book amount of the right-to-use assets is adjusted accordingly, and the remaining re-measured amount is recognized in profit or loss when the book amount of the right-to-use assets is reduced to zero.

For lease modifications that reduce the lease scope, the book amount of the right-to-use assets is reduced to reflect the partial or total termination of the lease, and the difference between the book amount and the re-measurement amount of the lease liabilities is recognized in profit or loss.

The Company will express the right to use assets and lease liabilities that do not meet the definition of investment property in the balance sheet as separate items.

For the short-term lease of office equipment and parking space lease and the lease of low-value assets, the Company chooses not to recognize the right-to-use assets and lease liabilities, but to recognize the relevant lease payments as expenses on a straight-line basis during the lease period.

### **2. Lessor**

A transaction in which the Company is the lessor classifies the lease contract according to almost all risks and rewards attached to the ownership of the underlying asset

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

on the lease establishment date, if so, it is classified as a finance lease, otherwise, it is classified as an operating lease. In the evaluation, the Company considers relevant specific indicators such as whether the lease period covers the main part of the economic life of the underlying asset. For operating leases, the Company recognizes the lease payments received as rental income on a straight-line basis during the lease period.

### **(XIII) Intangible assets**

Intangible assets with durable life acquired by the merged company are measured at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they can increase the future economic benefits of related specific assets. All other expenses are recognized in profit or loss when incurred. Amortization is calculated by deducting the estimated residual value from the cost of assets, and is recognized in profit or loss within the estimated service life of intangible assets according to the straight-line method. The service life of computer software is 3~10 years.

The merged company shall examine the amortization method, service life and residual value of intangible assets on the reporting date of each year, and make appropriate adjustments when necessary.

### **(XIV) Impairment of non-financial assets**

On each reporting date, the merged company evaluates whether there is any indication that the book amount of non-financial assets (except inventory and deferred income tax assets) may be impaired. If there is any sign then estimate the recoverable amount of the asset.

For the purpose of impairment test, a group of assets whose cash inflows are mostly independent of those of other individual assets or asset groups is regarded as the smallest identifiable asset group.

The recoverable amount is the higher of the fair value of individual assets or cash generating units less disposal costs and their use value. Impairment losses are recognized if the recoverable amount of an individual asset or cash generating unit is lower than the book amount. Impairment losses are immediately recognized in profit or loss, and the book amount of each asset in the unit is reduced in proportion to the book amount of each asset.

Non-financial assets are only reversed within the range of not exceeding the book amount (less depreciation or amortization) defined if impairment losses were not recognized in previous years.

### **(XV) Revenue recognition-revenue from customer contracts**

Revenue is measured at the consideration expected to be entitled to the goods transferred. The merged company recognizes revenue when its control over goods or services

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

is transferred to its customers and its performance obligations are met. The main income items of the merged company are as follows:

### **1. Selling goods**

The merged company recognizes revenue when the control of products is transferred. The control transfer of the product means that the product has been delivered to the customer, the customer can completely decide the sales channel and price of the product, and there is no unfulfilled obligation that will affect the customer's acceptance of the product. Delivery occurs when the products are delivered to a specific place, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products according to the sales contract, and the acceptance terms have expired, or the merged company has objective evidence that all the acceptance conditions have been met.

When the merged company delivers the goods, it recognizes the accounts receivable, because the merged company has the right to receive the consideration unconditionally at that time.

### **2. Financial components**

The merged company expects that the time between the transfer of goods from all customers' contracts to customers and the payment of goods by customers will not exceed one year. Therefore, the merged company does not adjust the monetary time value of the transaction price.

## **(XVI) Employee welfare**

### **1. Defined the allocation plan**

The obligation to define the contribution plan is recognized as an expense during the service period of the employee.

### **2. Defined the welfare plan**

The merged company's net obligation to define the welfare plan is calculated by converting the future welfare amount earned by employees' service in the current or previous period into the present value, and deducting the fair value of the plan assets.

The defined welfare obligation is actuarial by a qualified actuary every year using the projected unit welfare method. When the calculation result may be beneficial to the merged company, the recognized assets are limited to the present value of any economic benefits obtained in the form of refund of the plan's contribution or reduction of future contribution to the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

The re-measurement of net defined welfare liabilities, including actuarial gains and



## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

losses, return on planned assets (excluding interest) and any change in the influence of asset ceiling (excluding interest), is recognized under other comprehensive income and accumulated in retained earnings. The net interest expense of the merged company's net defined welfare liability is defined by the net defined welfare liability and discount rate defined at the beginning of the annual reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is revised or reduced, the welfare changes related to the previous service cost or the profit or loss of reduction are immediately recognized as profit or loss. When liquidation occurs, the merged company recognizes the liquidation profit and loss of the defined welfare plan.

### **3. Short-term employee welfare**

Short-term employee welfare obligations are recognized as expenses when services are provided. If the merged company has the current legal or presumed payment obligation due to the past service provided by employees, and the obligation can be estimated reliably, the amount will be recognized as a liability.

### **(XVII) Income tax**

Income tax includes current and deferred income tax. Except for items related to business merging and directly recognized in equity or other comprehensive profit and loss, current income tax and deferred income tax shall be recognized in profit or loss.

The current income tax includes the estimated income tax payable or tax refund receivable calculated based on the tax income (loss) of the current year, and any adjustment to the income tax payable or tax refund receivable of previous years. The amount is the best estimate of the amount expected to be paid or received according to the statutory tax rate or substantive legislative tax rate on the reporting date after reflecting the uncertainty related to income tax (if any).

Deferred income tax is recognized by measuring the temporary difference between the book amount of assets and liabilities for financial reporting purposes and their tax basis. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

1. It is not the assets or liabilities originally recognized in the transaction of business combination, and does not affect the accounting profit and tax income (loss) at the time of the transaction;
2. Because of the temporary differences arising from investing in subsidiaries, affiliated enterprises and joint venture interests, the merged company can control the time when the temporary differences are reversed and it is very likely that they will not be reversed in the

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

foreseeable future; and

3. Taxable temporary differences arising from the original recognition of goodwill.

Unused tax losses and unused income tax credits are recognized as deferred income tax assets to the extent that future tax income is likely to be available. And reassess it on each reporting day, and reduce the relevant income tax benefits within the scope that is very likely to be realized; Or to reverse the reduced amount to the extent that it is likely that there will be sufficient tax income.

Deferred income tax is measured at the tax rate when the expected temporary difference is reversed, and is based on the statutory tax rate or substantive legislative tax rate on the reporting date.

The merged company will offset the deferred income tax assets and deferred income tax liabilities only when the following conditions are met at the same time:

1. Have the legal enforcement right to offset the current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers whose income tax is levied by the same tax authority:
  - (1) The same taxpayer; or
  - (2) Different taxpayers, but each entity intends to pay off the current income tax liabilities and assets on a net basis, or realize assets and pay off liabilities at the same time, in each future period when the deferred income tax assets with significant amount are expected to be recovered and the deferred income tax liabilities are expected to be paid off.

### **(XVIII) Earnings per share**

The merged company lists the basic and diluted earnings per share attributable to the ordinary equity holders of the company. The basic earnings per share of the merged company is calculated by dividing the profit and loss attributable to the holders of common equity of the company by the weighted average number of outstanding common shares in the current period. Diluted earnings per share are calculated by adjusting the impact of all potential diluted ordinary shares with the profit and loss attributable to ordinary equity holders of the Company and the weighted average number of outstanding common shares.

### **(XIX) Department information**

The operating department is an integral part of the merged company, and it is engaged in operating activities that may earn income and incur expenses (including income and expenses related to transactions between other components in the merged company). The operating results of all operating departments are regularly reviewed by the chief operating decision makers of the merged company, so as to make decisions on allocating resources to

## **Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries**

the departments and evaluate their performance. Each operating department has its own financial information.

### **V. The main sources of uncertainties in major accounting judgments, estimates and assumptions**

The management must make judgments, estimates and assumptions when preparing this consolidated financial report, which will have an impact on the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Management continuously reviews estimates and basic assumptions, and changes in accounting estimates are recognized during the change period and the affected future period.

Accounting policies involve significant judgments and have a significant impact on the amounts recognized in this consolidated financial report, as follows:

#### Judging whether the investee company has substantial control

The merged company holds 15.04% of the voting shares of Green Solution Technology Co., Ltd. (hereinafter referred to as "Green Solution Technology"), which is its single largest shareholder. Although the remaining shares of Green Solution Technology are not concentrated in specific shareholders, the merged company still cannot obtain more than half of the board seats of Green Solution Technology, so it is judged that the merged company has only significant influence on Green Solution Technology.

Among the uncertainties of assumptions and estimates, there are significant risks that cause book amount of assets and liabilities will be significant adjusted in the next financial year, as follows:

#### Evaluation of inventory

Since inventory should be measured at the lower of cost and net realized value, the merged company evaluates the amount of inventory due to normal loss, obsolescence or no market sales value on the reporting date, and offsets the inventory cost to the net realized value. This inventory evaluation is mainly based on the product demand in a specific period in the future, so there may be significant changes due to the rapid changes of the industry.

The accounting policies and disclosures of the merged company include the fair value measurement of their financial and non-financial assets and liabilities. The financial department personnel of the merged company are responsible for independent fair value verification, making the evaluation result close to the market state by independent source data, defining that the data source is independent, reliable, consistent with other resources and represents the executable price, and regularly calibrating the evaluation model, conducting back testing, updating the input values and data required by the evaluation model and any other necessary fair value adjustments to ensure that the evaluation result is reasonable.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

When measuring its assets and liabilities, the merged company should use the input value that can be observed by the market as much as possible. The level of fair value is classified as follows based on the input value of evaluation technology use:

- (I) Level 1: The public quotation of the same assets or liabilities in the active market (unadjusted).
- (II) Level 2: Except for the public quotation included in Level 1, the input parameters of assets or liabilities are directly (i.e. price) or indirectly (i.e. derived from price) observable.
- (III) Level 3: The input parameters of assets or liabilities are not based on observable market data (non-observable parameters).

In case of transfer of fair value between different levels, the merged company recognizes the transfer on the reporting date.

### VI. Description of Important Accounting Items

#### (I) Cash and equivalent cash

	<u>2022.12.31</u>	<u>2021.12.31</u>
Cash on hand and petty cash	\$ 140	174
Check and demand deposit	1,201,303	1,189,781
	<u>\$ 1,201,443</u>	<u>1,189,955</u>

#### (II) Financial assets (liabilities) measured at fair value through profit or loss

	<u>2022.12.31</u>	<u>2021.12.31</u>
Non-hedging derivative instrument		
Foreign exchange contract	<u>\$ 317</u>	<u>(1,909)</u>

On December 31, 2021 and 2022 of the merged company, the details of derivatives that were reported as financial assets (liabilities) held for trading due to the non-application of hedge accounting are as follows:

<u>2022.12.31</u>				
<u>Financial derivatives</u>	<u>Notional principal (NT\$ thousands)</u>		<u>Maturity date</u>	<u>Delivery exchange rate</u>
Foreign exchange contract - Buy NTD / Sell USD	USD	18,690	2023.01.09~ 2023.01.17	30.440~30.924
<u>2021.12.31</u>				
<u>Financial derivatives</u>	<u>Notional principal (NT\$ thousands)</u>		<u>Maturity date</u>	<u>Delivery exchange rate</u>
Foreign exchange contract - Buy USD / Sell NTD	USD	12,110	2022.01.28~ 2022.02.25	27.721~27.873

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### (III) Accounts receivable (including related parties)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts receivable	\$ 738,371	955,351
Accounts receivable - Related parties	-	30,926
Less: allowance for losses	<u>(898)</u>	<u>(1,218)</u>
	<u><b>\$ 737,473</b></u>	<u><b>985,059</b></u>

1. The merged company adopts a simplified approach to estimate the expected credit loss for all accounts receivable (including related parties), i.e. using the expected credit loss during the duration. For this measurement purpose, these accounts receivable (including related parties) are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, and have incorporated forward-looking information, including general economic and related industry information. An analysis of the expected credit losses of the merged company's accounts receivable (including related parties) is as follows:

	<u>2022.12.31</u>		
	<u>Book value of accounts receivable(includi ng related parties)</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for expected credit losses during the duration</u>
Not overdue	\$ 736,641	0.1%~0.2%	843
Overdue 1~30 days	1,408	1%~2%	15
Overdue 31~90 days	302	10%~50%	30
Overdue 91~180 days	20	50%~70%	10
Overdue 181~360 days	-	100%	-
	<u><b>\$ 738,371</b></u>		<u><b>898</b></u>

  

	<u>2021.12.31</u>		
	<u>Book value of accounts receivable(includi ng related parties)</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for expected credit losses during the duration</u>
Not overdue	\$ 980,624	0.1%~0.2%	1,144
Overdue 1~30 days	5,464	1%~2%	55
Overdue 31~90 days	189	10%~50%	19
Overdue 91~180 days	-	50%~70%	-
Overdue 181~360 days	-	100%	-
	<u><b>\$ 986,277</b></u>		<u><b>1,218</b></u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

2. The change table of allowance loss of accounts receivable (including related parties) of the merged company is as follows:

	2022	2021
Balance at beginning of period	\$ 1,218	1,116
Impairment losses recognized (reversed)	(320)	102
Balance at ending of period	<u><u>\$ 898</u></u>	<u><u>1,218</u></u>

3. On December 31, 2021 and 2022, the accounts receivable (including related parties) of the merged company was not provided as pledge guarantee.

### (IV) Inventory

	2022.12.31	2021.12.31
Raw material	\$ 63,895	54,319
In-process and semi-finished products	523,880	233,772
Finished products and goods	225,249	105,683
	<u><u>\$ 813,024</u></u>	<u><u>393,774</u></u>

1. Apart from the cost of the sold inventory, the composition of inventory-related expenses and losses recognized as the cost of goods sold by the merged company is as follows:

	2022	2021
Inventory obsolescence loss (Reversal benefit)	<u><u>\$ 49,695</u></u>	<u><u>(6,551)</u></u>

2. On December 31, 2021 and 2022, the inventory of the merged company was not provided as pledge guarantee.

### (V) Investment using the equity method

The investments of the merged company using the equity method on the reporting date are listed as follows:

	2022.12.31	2021.12.31
Affiliated enterprise	<u><u>\$ 148,647</u></u>	<u><u>77,898</u></u>

1. The share of comprehensive income of affiliated enterprises enjoyed by the merged company is listed as follows:

	2022	2021
Net profit (loss)	\$ (1,462)	6,244
Other comprehensive income	(669)	-
Comprehensive income	<u><u>\$ (2,131)</u></u>	<u><u>6,244</u></u>

2. The merged company was reinvested in Super Group Semiconductor Co., Ltd. (hereinafter referred to as "Super Group Semiconductor ") through its subsidiary Jinrong Investment resolved by the Board of Directors on August 5, 2022. As of September 30, 2022, it acquired 1,000,000 shares of Super Group Semiconductor with NT\$ 45,000,000,

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

accounting for 28.57% of the equity. So it has a major influence on Super Group Semiconductor. The aforementioned transaction price has been fully paid. The merged company recognizes the difference between the investment price and the fair value of the net identifiable assets of Super Group Semiconductor as bargain purchase gain NT\$ 29,494 thousands which is listed under other profits and losses.

3. On December 31, 2021 and 2022, none of the investments adopted by the equity method of the merged company were provided as pledge guarantee.

### (VI) Property, plant and equipment

Details of changes in the cost and accumulated depreciation of the property, plant and equipment of the merged company are as follows:

		Land	House and building	Office equipment and other	Equipment to be tested	Total
<b>Cost:</b>						
Balance on January 1, 2022	\$	161,823	120,062	86,686	8,595	377,166
Increase		-	1,102	17,358	15,973	34,433
Reclassified into (out)		-	-	19,395	(19,395)	-
Disposal		-	(6,486)	(12,486)	-	(18,972)
Influence of exchange rate changes		-	50	243	-	293
Balance on December 31, 2022	\$	<b>161,823</b>	<b>114,728</b>	<b>111,196</b>	<b>5,173</b>	<b>392,920</b>
Balance on January 1, 2021	\$	161,823	119,805	83,949	1,538	367,115
Increase		-	513	6,191	8,495	15,199
Reclassified into (out)		-	-	1,438	(1,438)	-
Disposal		-	(235)	(4,759)	-	(4,994)
Influence of exchange rate changes		-	(21)	(133)	-	(154)
Balance on December 31, 2021	\$	<b>161,823</b>	<b>120,062</b>	<b>86,686</b>	<b>8,595</b>	<b>377,166</b>
<b>Accumulated depreciation:</b>						
Balance on January 1, 2022	\$	-	36,682	50,050	-	86,732
Depreciation in this year		-	3,271	16,893	-	20,164
Disposal		-	(6,486)	(12,472)	-	(18,958)
Influence of exchange rate changes		-	50	209	-	259
Balance on December 31, 2022	\$	-	<b>33,517</b>	<b>54,680</b>	-	<b>88,197</b>
Balance on January 1, 2021	\$	-	33,119	39,967	-	73,086
Depreciation in this year		-	3,818	14,863	-	18,681
Disposal		-	(235)	(4,668)	-	(4,903)
Influence of exchange rate changes		-	(20)	(112)	-	(132)
Balance on December 31, 2021	\$	-	<b>36,682</b>	<b>50,050</b>	-	<b>86,732</b>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### Book amount

December 31, 2022	<u>\$</u>	<u>161,823</u>	<u>81,211</u>	<u>56,516</u>	<u>5,173</u>	<u>304,723</u>
December 31, 2021	<u>\$</u>	<u>161,823</u>	<u>83,380</u>	<u>36,636</u>	<u>8,595</u>	<u>290,434</u>
January 1, 2021	<u>\$</u>	<u>161,823</u>	<u>86,686</u>	<u>43,982</u>	<u>1,538</u>	<u>294,029</u>

On December 31, 2021 and 2022, the property, plant and equipment of the merged company have been used as bank loan and financing amount guarantee. Please refer to Note 8 for details.

### (VII) The right to use assets

The details of changes in the cost and accumulated depreciation of the right-to-use assets recognized by the merged company's leased offices and staff quarters are as follows:

	<u>House and building</u>	
<b>Cost:</b>		
Balance on January 1, 2022	\$	4,710
Increase		2,084
Disposal		(266)
Influence of exchange rate changes		55
Balance on December 31, 2022	<u>\$</u>	<u>6,583</u>
Balance on January 1, 2021	\$	8,363
Increase		4,710
Disposal		(8,299)
Influence of exchange rate changes		(64)
Balance on December 31, 2021	<u>\$</u>	<u>4,710</u>
<b>Accumulated depreciation:</b>		
Balance on January 1, 2022	\$	-
Depreciation in this period		1,984
Disposal		(59)
Influence of exchange rate changes		(6)
Balance on December 31, 2022	<u>\$</u>	<u>1,919</u>
Balance on January 1, 2021	\$	5,486
Depreciation in this period		2,146
Disposal		(7,591)
Influence of exchange rate changes		(41)
Balance on December 31, 2021	<u>\$</u>	<u>-</u>
<b>Book value:</b>		
December 31, 2022	<u>\$</u>	<u>4,664</u>
December 31, 2021	<u>\$</u>	<u>4,710</u>
January 1, 2021	<u>\$</u>	<u>2,877</u>



## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### (VIII) Investment property

Investment property is an office building leased by the merged company to a third party by operating lease. The original irrevocable period of leased investment property is 1 to 3 years. The rental income of leased investment property is a fixed amount. Please refer to Note 6 (10) for details.

	<u>Land</u>	<u>House and building</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2022 (i.e., balance on December 31, 2022)	\$ <u>48,068</u>	<u>30,941</u>	<u>79,009</u>
Balance on January 1, 2021(i.e., balance on December 31, 2021)	\$ <u>48,068</u>	<u>30,941</u>	<u>79,009</u>
<b>Accumulated depreciation:</b>			
Balance on January 1, 2022	\$ -	7,432	7,432
Depreciation in this year	-	607	607
Balance on December 31, 2022	\$ <u>-</u>	<u>8,039</u>	<u>8,039</u>
Balance on January 1, 2021	\$ -	6,826	6,826
Depreciation in this year	-	606	606
Balance on December 31, 2021	\$ <u>-</u>	<u>7,432</u>	<u>7,432</u>
<b>Book amount</b>			
Balance on December 31, 2022	\$ <u>48,068</u>	<u>22,902</u>	<u>70,970</u>
Balance on December 31, 2021	\$ <u>48,068</u>	<u>23,509</u>	<u>71,577</u>
Balance on January 1, 2021	\$ <u>48,068</u>	<u>24,115</u>	<u>72,183</u>
<b>Fair value:</b>			
Balance on December 31, 2022			\$ <u>139,308</u>
Balance on December 31, 2021			\$ <u>130,112</u>

The fair value of investment property is based on the evaluation of independent evaluators (who have recognized relevant professional qualifications and have relevant experience in the location and type of investment property evaluated in the near future). The input value used in its fair value evaluation technology belongs to the level 3.

The evaluation of fair value is based on market value. If there is no current price in the active market, the evaluation will consider the aggregate estimated cash flow expected to be collected from renting the property and discount it with the yield reflecting the inherent specific risk of the net cash flow to define the value of the property. The yield ranges adopted in 2021 and 2022 are as follows:

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

<u>Region</u>	<u>2022</u>	<u>2021</u>
Xizhi District, New Taipei City	<u>1.24%~1.47%</u>	<u>1.21%~1.48%</u>

On December 31, 2021 and 2022, the investment real estate of the merged company was used as the guarantee of financing amount. Please refer to Note 8 for details.

### (IX) Lease liabilities

The book value of the lease liabilities of the merged company is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Current	<u>\$ 2,321</u>	<u>1,498</u>
Noncurrent	<u>\$ 2,431</u>	<u>3,212</u>

1. Please refer to Note 6 (18) Financial Instruments for maturity analysis.

2. The amounts recognized in profit or loss are as follows:

	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	<u>\$ 232</u>	<u>63</u>
Rental charges for short-term leases and low-value assets	<u>\$ 1,060</u>	<u>772</u>

3. The amounts recognized in the consolidated cash flow statement are as follows:

	<u>2022</u>	<u>2021</u>
Payment of rental fees for operating activities	\$ (1,060)	(772)
Payment of interest on lease liabilities from operating activities	(232)	(63)
Reimbursement of lease principal for financing activities	(1,892)	(2,241)
Total cash outflow from lease	<u>\$ (3,184)</u>	<u>(3,076)</u>

### 4. Lease of house and building

Houses and buildings leased by the merged company as office premises and staff quarters, the lease period is usually three years.

### 5. Other leases

The lease period of staff quarters, office equipment and parking spaces leased by the merged company is one to five years. These leases are short-term or low-value leases, and the merged company chooses to apply the exemption recognition requirements without recognizing its related right-to-use assets and lease liabilities.

### (X) Business lease

Investment property leased by the merged company is classified as operating lease because almost all risks and rewards attached to the ownership of the underlying assets have not been transferred. Please refer to Note 6 (8) Investment property for details. Maturity analysis of lease payments to report the total undiscounted lease payments to be collected in the future are listed in the following table:

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

	<u>2022.12.31</u>	<u>2021.12.31</u>
Less than 1 year	\$ 2,870	2,864
1-2 years	2,857	476
2-3 years	2,857	-
3-4 years	476	-
4-5 years	-	-
More than 5 years	-	-
Total undiscounted payment	<u>\$ 9,060</u>	<u>3,340</u>

### (XI) Employee welfare

#### 1. Defined the welfare plan

The adjustment between the present value of the welfare obligation defined by the merged company and the fair value of the planned assets is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Defined the present value of welfare obligations	\$ 24,256	23,640
Fair value of plan assets	(22,175)	(18,058)
Net defined benefit liability	<u>\$ 2,081</u>	<u>5,582</u>

The defined welfare plan of the merged company shall be allocated to the special account of labor retirement reserve of Taiwan Bank. The retirement payment of each employee applying the Labor Benchmark Law is calculated based on the base of service years and the average salary of six months before retirement.

#### (1) Composition of plan assets

The retirement fund allocated by the merged company according to the Labor Standard Act is managed by the Bureau of Labor Funds (hereinafter referred to as the "Bureau of Labor Funds"). According to the "Measures for the Custody and Utilization of Income and Expenditure of Labor Retirement Funds", the minimum income from the annual final accounts shall not be lower than the income calculated according to the two-year fixed deposit rate of the local bank.

As of the reporting date, the balance of the special account for labor retirement reserve of Taiwan Bank of the merged company is NT\$ 22,175,000. The information used by the labor pension plan assets includes the fund return rate and fund asset allocation. Please refer to the information published on the website of the Bureau of Labor Funds for details.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### (2) Defined the changes in the present value of welfare obligations

Changes in the present value of welfare obligations defined by the merged company are as follows:

	<b>2022</b>	<b>2021</b>
On January 1, the welfare obligation was defined	\$ 23,640	22,423
Current service cost and interest	560	570
Re-measurement of net defined benefit liabilities	56	647
On December 31, the welfare obligation was defined	<b><u>\$ 24,256</u></b>	<b><u>23,640</u></b>

### (3) Changes in the fair value of planned assets

Changes in the fair value of the plan assets of the merged company are as follows:

	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1.	\$ 18,058	15,122
Contributed to plan amount	2,676	2,676
Interest income	115	117
Return on planned assets (excluding current interest)	1,326	143
Fair value of plan assets on December 31.	<b><u>\$ 22,175</u></b>	<b><u>18,058</u></b>

### (4) Expenses recognized as profit or loss

Details of expenses reported by the merged company are as follows:

	<b>2022</b>	<b>2021</b>
Current service cost	\$ 418	409
Net interest on net defined benefit liabilities	27	44
	<b><u>\$ 445</u></b>	<b><u>453</u></b>
	<b>2022</b>	<b>2021</b>
Operating cost	\$ 41	42
Selling expense	29	30
Management expense	334	339
R&D expense	41	42
	<b><u>\$ 445</u></b>	<b><u>453</u></b>

### (5) Re-measurement of net defined welfare liabilities recognized as other comprehensive gains and losses

The re-measurements of the net defined welfare liabilities accumulated and recognized in other comprehensive income of the merged company as of December 31, 2021 and 2022 are as follows:

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

	<u>2022</u>	<u>2021</u>
Accumulated balance on January 1	\$ 3,595	3,091
Recognition in current period (reversed)	<u>(1,270)</u>	<u>504</u>
Accumulated balance on December 31	<u><u>\$ 2,325</u></u>	<u><u>3,595</u></u>

### (6) Actuarial assumptions

The main actuarial assumptions used by the merged company at the end of financial reporting are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.750%	0.625%
Future salary increase rate	2.000%	1.000%

The merged company is expected to pay NT\$ 437,000 to the defined benefit plan within one year after the reporting date of 2022.

The weighted average duration of the defined benefit plan is 13.89 years.

### (7) Sensitivity analysis

When calculating and determining the present value of welfare obligations, the company must use judgment and estimation to define relevant actuarial assumptions on the balance sheet date, including discount rate and future salary changes. Any change in actuarial assumptions may significantly affect the amount of welfare obligations defined by the merged company.

The influence of changes in major actuarial assumptions adopted on December 31, 2021 and 2022 on determining the present value of welfare obligations is as follows:

	<u>Influence on the determination of welfare obligations</u>	
	<u>Increase by 0.25%</u>	<u>Reduce by 0.25%</u>
December 31, 2022		
Discount rate	<u>\$ (205)</u>	<u>208</u>
Future salary increase rate	<u>\$ 204</u>	<u>(199)</u>
December 31, 2021		
Discount rate	<u>\$ (254)</u>	<u>206</u>
Future salary increase rate	<u>\$ 250</u>	<u>(246)</u>

The sensitivity analysis mentioned above is based on the analysis of the influence of changes in a single hypothesis while other assumptions remain unchanged. In practice, many changes in assumptions may be linked. Sensitivity analysis is consistent with the method used to calculate the net defined benefit liability of the balance sheet.

The methods and assumptions used in preparing sensitivity analysis in this period are the same as those in the previous period.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### 2. Defined the allocation plan

According to the provisions of the Labor Pension Ordinance, the defined contribution plan of the merged company is allocated to the individual account of labor pension of the Bureau of Labor Insurance at the rate of 6% of the monthly wages of workers. Under this plan, after the merged company allocates a fixed amount to the Bureau of Labor Insurance, there is no statutory or constructive obligation for paying extra amount.

The pension expenses of the merged company under the defined pension allocation method in 2021 and 2022 were NT\$ 5,932,000 and NT\$ 5,943,000 respectively, which were allocated to the Bureau of Labor Insurance.

The pensions allocated and recognized by other overseas subsidiaries listed in the consolidated financial report in 2021 and 2022 were NT\$ 1,466,000 and NT\$ 1,524,000 respectively.

### (XII) Income tax

#### 1. Income tax expenses

Details of merged company income tax expenses are as follows:

	<b>2022</b>	<b>2021</b>
Current income tax expenses	\$ 123,185	89,733
Deferred income tax expenses	1,226	3,993
Income tax expenses	<u><u>\$ 124,411</u></u>	<u><u>93,726</u></u>

2. The merged company has no income tax expense directly recognized in equity.

3. The details of income tax expenses (profits) recognized by the merged company under other comprehensive income are as follows:

	<b>2022</b>	<b>2021</b>
Items not reclassified to profit or loss:		
Defined the re-measurement of welfare plan	<u><u>\$ 254</u></u>	<u><u>(101)</u></u>
Subsequent items that may be reclassified to profit or loss:		
Exchange difference in conversion of financial reports of foreign operating institutions	<u><u>\$ 256</u></u>	<u><u>(84)</u></u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

4. The relationship between income tax expenses and net profit before tax of merged company is adjusted as follows:

	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 557,903</u>	<u>447,794</u>
Income tax calculated at the domestic tax rate where the company is located	117,709	91,336
Undistributed surplus plus	12,487	5,522
Net changes and others that can be deducted from temporary differences are not recognized	<u>(5,785)</u>	<u>(3,132)</u>
	<b><u>\$ 124,411</u></b>	<b><u>93,726</u></b>

### 5. Deferred income tax assets and liabilities

- (1) Items not recognized as deferred income tax assets are as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Temporary differences can be deducted	<u>\$ 16,850</u>	<u>11,751</u>
Taxable loss	<u>6,066</u>	<u>6,052</u>
	<b><u>\$ 22,916</u></b>	<b><u>17,803</u></b>

Taxable losses are in accordance with the provisions of the Income Tax Law. The losses of the previous ten years approved by the tax collection authority can be deducted from the net profit of the current year, and then the income tax can be audited. These items are not recognized as deferred income tax assets, because it is unlikely that the merged company will have enough tax income for the temporary difference in the future.

As of December 31, 2022, the merged company has not recognized the tax loss of deferred income tax assets, and the deduction period is as follows:

<u>Year of loss</u>	<u>Non-deducted loss</u>	<u>The last year to be deducted</u>
Jinrong Investment		
2013 (Authorized)	\$ 69	2023
2014 (Authorized)	70	2024
2015 (Authorized)	29,569	2025
2016 (Authorized)	77	2026
2018 (Authorized)	128	2028
2019 (Authorized)	97	2029
2020 (Authorized)	92	2030
2021 (Declaration)	93	2031
2022 (Estimated)	<u>137</u>	2032
	<b><u>\$ 30,332</u></b>	

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

(2) Changes in recognized deferred income tax assets and liabilities are as follows:

### Deferred income tax liabilities:

	Unrealized profit on exchange	Interest in Financial Assets Evaluation	Total
Balance on January 1, 2022	\$ -	-	-
Debit/(Credit) profit and loss	1,632	63	1,695
Balance on December 31, 2022	<u>\$ 1,632</u>	<u>63</u>	<u>1,695</u>
Balance on January 1, 2021	\$ -	763	763
Debit/(Credit) profit and loss	-	(763)	(763)
Balance on December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>

### Deferred income tax assets:

	Unrealized loss on exchange	Inventory write-down	Others	Total
Balance on January 1, 2022	\$ (2,775)	(4,875)	(4,180)	(11,830)
Debit/(Credit) profit and loss	2,775	(3,976)	732	(469)
Debit/(Credit) other comprehensive profit and loss	-	-	510	510
Balance on December 31, 2022	<u>\$ -</u>	<u>(8,851)</u>	<u>(2,938)</u>	<u>(11,789)</u>
Balance on January 1, 2021	\$ (6,961)	(5,399)	(4,041)	(16,401)
Debit/(Credit) profit and loss	4,186	524	46	4,756
Debit/(Credit) other comprehensive profit and loss	-	-	(185)	(185)
Balance on December 31, 2021	<u>\$ (2,775)</u>	<u>(4,875)</u>	<u>(4,180)</u>	<u>(11,830)</u>

### 6. Verification of income tax

The income tax settlement declaration of the profit-making enterprise of the merged company is verified by the tax collection authority as follows:

	<u>Approved Year</u>
The Company	Already approved until 2020
Jinrong Investment	Already approved until 2020

### (XIII) Capital and other equity

On December 31, 2021 and 2022, the total rated share capital of the Company was NT\$ 1,000,000,000, and the denomination of each share was 100,000,000 shares in NT\$ 10.00. The aforesaid total rated share capital is common share, and the issued shares are all 61,252,000 shares. All issued shares have been collected.



## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### 1. Capital reserves

The balance of capital reserves of the Company is as follows:

	<b>2022.12.31</b>	<b>2021.12.31</b>
Premium of issuing shares	\$ 626,757	626,757
Treasury stock trading	3,755	3,755
	<b><u>\$ 630,512</u></b>	<b><u>630,512</u></b>

According to the Company Law, the realized capital reserve can be issued to new shares or cash in proportion to the original shares of shareholders only after the capital reserve needs to make up the losses first. The realized capital surplus mentioned in the preceding paragraph includes the excess from issuing shares in excess of par value and the income from receiving gifts. According to the regulations on the handling of securities offering and issuance by issuers, the total amount of capital reserve that can be appropriated for capital shall not exceed 10% of the paid-in capital every year.

### 2. Retained earnings

According to the Articles of Association, if there is a surplus in the company's annual final accounts, tax should be paid first to make up the accumulated losses, and 10% should be paid as the legal surplus reserve (but when the legal surplus reserve has reached the paid-in capital of the Company, it may not be paid again). The rest should be set aside or reversed according to law. If there is any surplus, and the surplus shall be distributed cumulatively with the previous year, the Board of Directors shall draw up a surplus distribution proposal and submit it to the shareholders' meeting for resolution to distribute dividends and bonuses in the preceding paragraph is done in cash, the board of directors shall be authorized to make a resolution and report at the shareholders' meeting.

#### (1) Legal surplus reserve

According to the company law, the company shall set aside 10% of the net profit after tax as the legal surplus reserve until it is equal to the total capital. When the company has no loss, it may issue new shares or cash with the legal surplus reserve after the resolution of the shareholders' meeting, but the amount of the reserve exceeds 25% of the paid-in capital.

#### (2) Special surplus reserve

According to the regulations of FSC, when distributing the distributable surplus, the Company will set aside the special reserve of the current net profit after tax plus the items other than the current net profit after tax included in undistributed surplus of the current period and the undistributed surplus of the previous period in terms of the net deduction of other shareholders' equity in the accounts incurred in the current year; If it

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

is the amount of other shareholders' equity deductions accumulated in the previous period, the special reserve of the same amount shall not be distributed from the undistributed surplus in the previous period. If the amount of other shareholders' equity deductions is reversed later, the surplus may be distributed on the reversed part.

### (3) Distribution of earnings

The Company's motion for earnings distribution for 2021 proposed by the Board of Directors on March 18, 2022, other earnings distribution items were resolved by the shareholders' meeting on June 8, 2022. And the motion for earnings distribution for 2020 resolved by the shareholders' meeting on August 24, 2021, the amount of the dividends distributed to shareholders is as follows:

	2021		2020	
	Dividend rate (NT\$)	Amount	Dividend rate (NT\$)	Amount
Dividends distributed to common stock owners:				
Cash	\$ 1.2	<u>73,502</u>	1.0	<u>61,252</u>

### (XIV) Earnings per share

The basic earnings per share and diluted earnings per share of the merged company are calculated as follows:

	2022	2021
<b>Basic earnings per share:</b>		
Current net profit attributable to the Company	<u>\$ 433,492</u>	<u>354,068</u>
Weighted average number of ordinary shares in circulation(thousand shares)	<u>61,252</u>	<u>61,252</u>
Earnings per share (yuan)	<u>\$ 7.08</u>	<u>5.78</u>
<b>Dilute earnings per share:</b>		
Current net profit attributable to the Company	<u>\$ 433,492</u>	<u>354,068</u>
Weighted average number of ordinary shares in circulation(thousand shares)(dilution)	<u>63,305</u>	<u>62,416</u>
Earnings per share (yuan)	<u>\$ 6.85</u>	<u>5.67</u>
<b>Weighted average number of ordinary shares in circulation (thousand shares)(dilution):</b>		
Weighted average number of ordinary shares in circulation (basic)	61,252	61,252
Impact of employee stock remuneration	<u>2,053</u>	<u>1,164</u>
Weighted average number of ordinary shares in circulation (dilution)	<u>63,305</u>	<u>62,416</u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### (XV) Revenue from customer contracts

#### 1. Subdivide of income

	<u>2022</u>	<u>2021</u>
Main regional market:		
Taiwan	\$ 562,531	825,672
China	2,004,521	1,999,900
Other countries	<u>46,431</u>	<u>33,398</u>
	<u><b>\$ 2,613,483</b></u>	<u><b>2,858,970</b></u>
Main products:		
Power metal-oxide-semiconductor field-effect transistor	\$ 2,494,986	2,645,979
Others	<u>118,497</u>	<u>212,991</u>
	<u><b>\$ 2,613,483</b></u>	<u><b>2,858,970</b></u>

#### 2. Contract balance

	<u>2022.12.31</u>	<u>2021.12.31</u>	<u>2021.1.1</u>
Accounts receivable (including related parties)	\$ 738,371	986,277	900,002
Less: allowance for losses	<u>(898)</u>	<u>(1,218)</u>	<u>(1,116)</u>
Total	<u><b>\$ 737,473</b></u>	<u><b>985,059</b></u>	<u><b>898,886</b></u>
Contract liabilities	<u><b>\$ 2,139</b></u>	<u><b>8,478</b></u>	<u><b>3,510</b></u>

Please refer to Note 6(3) for the disclosure of accounts receivable and its impairment.

The beginning balance of contract liabilities on January 1, 2021 and 2022 was recognized as revenue from January 1 to December 31, 2021 and 2022 of NT\$ 1,814,000 and NT\$ 4,157,000 respectively.

The change in contract liabilities is mainly attributable to the difference between the time when the merged company transfers the product to the customer to satisfy the performance obligation and the time when the customer pays.

### (XVI) Remuneration of employees, directors and supervisors

The company re-elected directors at the shareholders' meeting on June 8, 2022, and an audit committee established by independent directors will replace the supervisory authority, and the relevant provisions of the company's articles of association will be revised.

According to the Company's revised Articles of Association, if there is any profit in the year, no less than 10% shall be allocated as employee remuneration and no more than 5% as director remuneration. The remuneration of employees is decided by the Board of Directors to be distributed in stock or cash, and the target of distribution includes employees of subordinate companies who meet certain conditions. However, if the Company still has

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

accumulated losses, it shall reserve the compensation amount in advance, and then allocate the employee remuneration and the director remuneration according to the proportion mentioned in the preceding paragraph. According to the original Articles of Association of the Company, if there is any profit in the year, no less than 10% shall be allocated as employee remuneration and no more than 5% as supervisor remuneration. The remuneration of employees is decided by the Board of Directors to be distributed in stock or cash, and the target of distribution includes employees of subordinate companies who meet certain conditions. However, if the Company still has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the employee remuneration and the supervisor remuneration according to the proportion mentioned in the preceding paragraph.

The Company's estimated compensation for employees in 2022 and 2021 were NT\$ 95,199,000 and NT\$ 76,395,000 respectively, while the estimated compensation for directors and supervisors were NT\$ 27,200,000 and NT\$ 21,827,000 respectively, which was estimated based on the net profit before tax of the Company for the period before deducting the remuneration of employees, directors and supervisors multiplied by the remuneration of employees and directors and supervisors as stipulated in the Articles of Association of the Company. This is also reported as the operating cost or operating expenses for the period. Relevant information can be found at the Public Information Platform. If there is any difference between the actual distribution and the estimated amount in 2022, the change shall be treated according to the accounting estimation and recognized as the profit and loss in 2023. The actual distribution in 2021 is the same as the estimated amount in the consolidated financial statement of the merged company in 2021.

### (XVII) Non-operating income and expenditure

#### 1. Other incomes

Details of other income of the merged company are as follows:

	<b>2022</b>	<b>2021</b>
Other income	<u>\$ 6,172</u>	<u>6,837</u>

#### 2. Other profit and loss

Details of other profits and losses of the merged company are as follows:

	<b>2022</b>	<b>2021</b>
Net profit(loss) of foreign currency exchange	\$ 149,415	(11,586)
Net profit(loss) of financial assets(liabilities) measured at fair value through profit or loss	317	(1,909)
Gain recognized in bargain purchase transaction	29,494	-
Other	(907)	(779)
	<u>\$ 178,319</u>	<u>(14,274)</u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### 3. Financial cost

The financial cost details of the merged company are as follows:

	2022	2021
Interest expense	<u>\$ 232</u>	<u>70</u>

### (XVIII) Financial Instrument

#### 1. Credit risk

The book value of financial assets represents the maximum credit exposure amount. The maximum amount of credit exposure on December 31, 2022 and 2021 was NT\$ 1,964,987,000 and NT\$ 2,201,392,000 respectively.

Credit risk refers to the risk of financial loss of the merged company caused by the counterpart's failure to fulfill its contractual obligations. The main potential credit risk of the merged company stems from the risk that the counterpart fails to perform the contract when it expires.

##### (1) Accounts receivable and other receivables

On December 31, 2022 and 2021, the merged company accounted for 53% and 49% of the total accounts receivable from the top five sales customers, respectively, which made the merged company have concentrated credit risk. In order to reduce credit risk, the merged company regularly and continuously evaluated the financial status of these customers and the recovery possibility of their accounts receivable. These customers had good profit and credit records in the past, and the merged company did not suffer any significant credit risk loss due to these customers during the reporting period.

##### (2) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial department of the merged company. Since the trading objects of the merged company are all banks with good credit, there is no significant performance concern, so there is no significant credit risk.

#### 2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest but excluding the impact of net agreement.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

	<u>Book value</u>	<u>Contract cash flow</u>	<u>6 months within</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2022</b>							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 432,524	432,524	432,524	-	-	-	-
Other payables	229,551	229,551	229,551	-	-	-	-
Lease liabilities	4,752	5,220	1,346	1,319	2,555	-	-
Deposits received	11	11	-	-	-	-	11
	<b>\$ 666,838</b>	<b>667,306</b>	<b>663,421</b>	<b>1,319</b>	<b>2,555</b>	<b>-</b>	<b>11</b>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 525,424	525,424	525,424	-	-	-	-
Other payables	202,873	202,873	202,873	-	-	-	-
Lease liabilities	4,710	5,401	945	928	1,801	1,727	-
Deposits received	5,704	5,704	-	-	5,699	-	5
Derivative financial liabilities	1,909	-	-	-	-	-	-
Outflow	-	338,814	338,814	-	-	-	-
Inflow	-	(336,905)	(336,905)	-	-	-	-
	<b>\$ 740,620</b>	<b>741,311</b>	<b>731,151</b>	<b>928</b>	<b>7,500</b>	<b>1,727</b>	<b>5</b>

The merged company does not expect that the cash flow of maturity analysis will occur significantly earlier, or the actual amount will be significantly different.

The merged company's capital, working capital and bank financing amount are sufficient to fulfill all contractual obligations, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations. In addition, the unused loan amount of the merged company on December 31, 2022 and 2021 totaled NT\$ 962,665,000 and NT\$ 928,820,000 respectively.

### 3. Market risk

#### (1) Exchange rate risk

The financial assets and liabilities of the merged company exposed to significant foreign currency exchange rate risks are as follows:

	<u>2022.12.31</u>			<u>2021.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial Asset</u>						
<u>Monetary items</u>						
USD	\$ 36,171	30.710	1,110,797	45,494	27.680	1,259,272
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	14,456	30.710	443,944	19,555	27.680	541,286

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### (2) Sensitivity analysis

The exchange rate risk of the merged company mainly comes from cash and equivalent cash denominated in foreign currency, accounts receivable, other receivables, accounts payable and other payables etc., which generate foreign currency exchange profits and losses during translation. On December 31, 2022 and 2021, when the NT dollar depreciated or appreciated by 1% against the US dollar and all other factors remained unchanged, the net profit before tax in 2022 and 2021 will increase or decrease by NT\$ 6,669,000 and NT\$ 7,180,000 respectively. The two phases of analysis adopt the same basis.

### (3) Exchange profits and losses of monetary items

The exchange rate information of the conversion (loss) profit (including realized and unrealized) of the monetary items of the merged company into the functional currency NTD (that is, the expression currency of the merged company) is as follows:

<u>Functional Currency</u>	<u>2022</u>		<u>2021</u>	
	<u>Exchange (loss) profit</u>	<u>Average exchange rate</u>	<u>Exchange (loss) profit</u>	<u>Average exchange rate</u>
NTD	\$ 147,571	1	(11,256)	1
RMB	1,844	4.422	(330)	4.341
	<u>\$ 149,415</u>		<u>(11,586)</u>	

### 4. Interest rate risk

The merged company does not undertake debts with floating interest rate, while the financial assets with floating interest rate are bank deposits. It is assessed that the cash flow risk caused by the change of market interest rate is not significant, so sensitivity analysis is not conducted.

### 5. Fair value information

#### (1) Types and fair value of financial instruments

The book value and fair value of the financial assets and financial liabilities of the merged company (including fair value grade information, but the book amount of financial instruments not measured at fair value is a reasonable approximation of fair value, and the lease liabilities are not required to disclose fair value information) are listed as follows:

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

		2022.12.31				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss-current		\$ 317	-	-	317	317
Financial assets measured at amortized cost:						
Cash and equivalent cash	\$	1,201,443				
Accounts receivable (including related parties)		737,473				
Other receivable		18,186				
Refundable deposits		7,568				
Subtotal		\$ 1,964,670				
Financial liabilities measured at amortized cost:						
Accounts payable (including related parties)	\$	432,524				
Other payables		229,551				
Lease liabilities		4,752				
Deposits received		11				
Subtotal		\$ 666,838				
		2021.12.31				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:						
Cash and equivalent cash	\$	1,189,955				
Accounts receivable (including related parties)		985,059				
Other receivable		16,295				
Refundable deposits		10,083				
Subtotal		\$ 2,201,392				
Financial liabilities measured at fair value through profit or loss-current		\$ 1,909	-	-	1,909	1,909
Financial liabilities measured at amortized cost:						
Accounts payable (including related parties)	\$	525,424				
Other payables		202,873				
Lease liabilities		4,710				
Deposits received		5,704				
Subtotal		\$ 738,711				

(2) The fair value evaluation technology of financial instruments measured by fair value

The fair value of derivatives is priced by public quotation. When the public quotation cannot be obtained, the fair value of the contract is calculated based on the



## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

spot exchange rate and exchange points on the respective maturity dates.

(3) The merged company did not have any fair value level transfer from January 1 to December 31, 2022 and 2021.

(4) List of changes in the Level 3

	<b>Financial assets(liabilities) measured at fair value through profit or loss</b>
January 1, 2022	\$ (1,909)
Purchase/Disposition/Liquidation	1,909
Recognized in profit or loss	<u>317</u>
December 31, 2022	<u><b>\$ 317</b></u>
January 1, 2021	\$ 3,814
Purchase/Disposition/Liquidation	(3,814)
Recognized in profit or loss	<u>(1,909)</u>
December 31, 2021	<u><b>\$ (1,909)</b></u>

The above total profits or losses are reported in series as "other profits and losses". Among them, the assets or liabilities still held in December 31, 2022 and 2021 are as follows:

	<u><b>2022.12.31</b></u>	<u><b>2021.12.31</b></u>
Total profits and losses		
Recognized in profit or loss (reported in "other profits and losses")	<u><b>\$ 317</b></u>	<u><b>(1,909)</b></u>

(5) Quantitative information on fair value measurement of significant unobservable input values (Level 3)

The fair value measurement of the merged company is classified into the Level 3, which is the financial assets (liabilities) measured at fair value through profit or loss-derivative financial instruments. The fair value is quoted by the third party, so it is not intended to disclose the sensitivity analysis of significant unobservable input values.

### (XIX) Financial risk management

#### 1. Summary

The merged company is exposed to the following risks due to the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

Please refer to Note 6 (18) for the critical information of the above risks, the objectives, policies and procedures of the merged company for measuring and managing risks, and further quantitative disclosure.

### 2. Risk management structure

The risk management policy of the merged company is established to identify and analyze the risks faced by the merged company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are regularly reviewed to reflect market conditions and changes in the operation of the merged company. The merged company develops a disciplined and constructive control environment through training, management standards and operating procedures, so that all employees can understand their roles and obligations.

The board of directors of the merged company supervises how the management level monitors the compliance of the risk management policies and procedures of the merged company, and reviews the appropriateness of the relevant risk management structure of the merged company for the risks it faces. Internal auditors assist the board of directors of the merged company to play a supervisory role. These personnel conduct regular and exceptional reviews of risk management controls and procedures, and report the review results to the Board of Directors.

### (XX) Investment management

It is the policy of the Board of Directors to maintain a sound capital base to maintain the confidence of investors, creditors and the market and support the development of future operations. Capital includes the company's share capital, capital surplus, retained earnings and other interests.

The capital management objective of the merged company is to guarantee the ability to continue to operate, to provide shareholders' remuneration and other stakeholders' benefits continuously, and to maintain the best capital structure to reduce the cost of capital. The debt ratios on December 31, 2021 and 2022 were 26% and 22% respectively.

As of December 31, 2022, the way of capital management of the merged company has not changed.

### (XXI) Changes in liabilities from financing activities

The adjustment of liabilities from financing activities is as follows:

	Changes of non-cash						December 31, 2022
	January 1, 2022	Cash flows	Interest expense	Increase	Derecognition	Exchange rate changes	
Lease liabilities	\$ 4,710	(1,892)	232	2,084	(210)	(172)	4,752
Deposits received	5,704	(5,706)	-	-	-	13	11
Total liabilities from financial activities	<u>\$ 10,414</u>	<u>(7,598)</u>	<u>232</u>	<u>2,084</u>	<u>(210)</u>	<u>(159)</u>	<u>4,763</u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

	Changes of non-cash						December 31, 2021
	January 1, 2021	Cash flows	Interest expense	Increase	Derecognition	Exchange rate changes	
Lease liabilities	\$ 3,008	(2,241)	63	4,710	(743)	(87)	4,710
Deposits received	5	5,699	-	-	-	-	5,704
Total liabilities from financial activities	<u>\$ 3,013</u>	<u>3,458</u>	<u>63</u>	<u>4,710</u>	<u>(743)</u>	<u>(87)</u>	<u>10,414</u>

### VII. Related party transactions

#### (I) The name and relationship of the related party

During the period covered by this consolidated financial report, the related parties who had transactions with the merged company are as follows:

The name of the related party	Relationship with the merged company
Cai Feng Investments Co., Ltd. (Cai Feng Investments)	Substantive parties
Super Group Semiconductor Co., Ltd. (Super Group Semiconductor)	Affiliated enterprise(Note)
Green Solution Technology Co., Ltd. (Green Solution Technology)	Affiliated enterprise
Wuxi U-NIKC Semiconductor Corp., Ltd. (Wuxi U-NIKC Semiconductor)	Affiliated enterprise (Green Solution Technology's subsidiaries)
Wuxi U-NIKC Semiconductor (Hong Kong) Corp., Ltd. (Wuxi U-NIKC Semiconductor (Hong Kong))	"
Chang Kuan Investments Co., Ltd. (Chang Kuan Investments)	Its chairman is the same person as the company

Note: Super Group Semiconductor was substantive parties of the merged company. Since the merged company obtained 28.57% of its shares on September 30, 2022, it became an affiliated enterprise of the merged company.

#### (II) Significant transactions with related parties

##### 1. Selling goods to related party

The sales amount and outstanding balance of the merged company to related parties are as follows:

	Sales		Accounts receivable from related parties	
	2022	2021	2022.12.31	2021.12.31
Affiliated enterprise:				
Other affiliated enterprise	\$ 52,126	205,477	-	30,926
Reduce: allowance loss	-	-	-	(62)
	<u>\$ 52,126</u>	<u>205,477</u>	<u>-</u>	<u>30,864</u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

There is no significant difference between the sales conditions of the merged company and the general sales price. In 2022 and 2021, the payment conditions were 90 days for monthly close, and the average customer was about 30 days for monthly close to 120 days for the next monthly close.

The merged company charged trial production fees of new products and unearned revenue from other affiliated enterprise. As of December 31, 2022 and 2021, the unearned revenue has been NT\$ 0 and NT\$ 2,636,000 respectively under other current liabilities.

### 2. Buy goods from related parties

The purchase amount and outstanding balance of the merged company from related parties are as follows:

	Purchase		Accounts payable	
	2022	2021	2022.12.31	2021.12.31
Affiliated enterprise:				
Green Solution Technology	\$ 5,476	13,151	66	2,047

In order to provide customers with a complete power management solution, the merged company purchases customized products from related parties, and the purchase price of the same products is incomparable with that of ordinary manufacturers. The payment terms in 2022 and 2021 are all 30 days for monthly close, while the payment terms of ordinary manufacturers are about 30 days to 90 days for monthly close.

### 3. Purchase labor services from related parties

	Transaction amount		Other payables	
	2022	2021	2022.12.31	2021.12.31
Affiliated enterprise				
Super Group Semiconductor Co., Ltd. - Project cost of product development	\$ 12,300	9,400	6,615	2,310
Super Group Semiconductor Co., Ltd. - Authorization fee of product	42,294	57,919	7,141	9,757
	<u>\$ 54,594</u>	<u>67,319</u>	<u>13,756</u>	<u>12,067</u>

As of December 31, 2022 and 2021, please refer to Note 9 for the outstanding contractual commitments of the new product development contracts and outsourcing design contracts signed between the merged company and its related parties because they have not reached the agreed development and design stage.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### 4. Rental income

The rental income generated by the merged company from renting offices to related parties is as follows:

	Transaction amount		Other receivable	
	2022	2021	2022.12.31	2021.12.31
Affiliated enterprise:				
Green Solution Technology	\$ 2,857	2,857	250	250
Other related party:				
Other related party	29	17	23	11
	<u>\$ 2,886</u>	<u>2,874</u>	<u>273</u>	<u>261</u>

The merged company collects rent according to the contract, and the relevant rent is determined by negotiation between the two parties.

### 5. Property transaction

As of September 30, 2022, the merged company participated in the follow-on offering of Super Group Semiconductor, the original substantial relationship, and obtained 28.57% of its shares. Please refer to Note 6 (5) for details of the transaction.

### (III) The main management personnel transactions

Remuneration of main management personnel includes:

	2022	2021
Short-term employee welfare	\$ 36,968	28,793
Retirement welfare	445	453
Termination benefits	-	-
Other long-term welfares	-	-
Share-based payment	-	-
	<u>\$ 37,413</u>	<u>29,246</u>

## VIII. Pledged assets

Details of the book value of assets provided by the merged company as collateral are as follows:

Asset name	Pledge guarantee target	2022.12.31	2021.12.31
Property, plant and equipment - Land	Bank loan	\$ 97,394	97,394
-House and building	"	46,304	47,533
Investment property - Land	"	48,068	48,068
-House and building	"	22,902	23,509
		<u>\$ 214,668</u>	<u>216,504</u>

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### IX. Significant contingent liabilities and unrecognized contractual commitments

- (I) The amount of guarantee notes issued by the merged company to suppliers as guarantee for payment of goods is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Guaranteed notes	<u>\$ -</u>	<u>10,000</u>

- (II) The amount of guaranteed promissory notes issued by the merged company due to signing loan quota and financial commodity trading quota with financial institutions is as follows.

	<u>2022.12.31</u>	<u>2021.12.31</u>
Loan quota and financial commodity trading quota	<u>\$ 1,057,121</u>	<u>1,007,760</u>

- (III) On December 31, 2022 and 2021, the new product development contract and the outsourcing design contract signed by the merged company had not been paid to the merged company because they had not reached the agreed development and design stage, which was NT\$ 34,600,000 and NT\$ 28,000,000 respectively; In addition, the merged company agreed in the new product development contract that when the product enters the mass production stage, it should pay royalties according to the purchase quantity of related wafers and the agreed price.

- (IV) The merged company signed a capacity guarantee purchase contract with the supplier on May 30, 2018, and due to the agreement on the minimum purchase amount, the deposit amount shall be paid. As of December 31, 2022 and 2021, the deposit amount has been NT\$ 7,500,000 and NT\$ 10,000,000 respectively under other current assets and other non-current assets.

- (V) The merged company signed a capacity guarantee purchase contract with the supplier on May 7, 2021, November 30, 2021, and January 28, 2022 and due to the agreement on the purchase amount, the amount shall be paid in advance. As of December 31, 2022 and 2021, the prepaid amount has been NT\$ 88,423,000 and \$ 82,066,000 respectively under other current assets and other non-current assets.

**X. Major disaster losses: None.**

**XI. Significant post-period events: None.**

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### XII. Others

The functional classification of employee benefits, depreciation, depletion and amortization expenses are summarized as follows:

Functional classification Natural classification	2022			2021		
	Belonging to the operating cost	Belonging to the operating expenses	Total	Belonging to the operating cost	Belonging to the operating expenses	Total
Employee welfare expenses						
Salary Expense	51,651	195,446	247,097	47,893	187,961	235,854
Labor and health insurance expenses	4,185	9,698	13,883	3,896	9,015	12,911
Pension expense	1,882	6,030	7,912	1,875	5,976	7,851
Directors' remuneration	-	28,541	28,541	-	20,307	20,307
Other employee welfare expenses	2,339	5,503	7,842	2,443	5,698	8,141
Depreciation expense	6,499	16,256	22,755	5,597	15,836	21,433
Amortized expense	-	328	328	-	201	201

### XIII. Matters disclosed in notes

#### (I) Relevant information on major transactions

In 2022, according to the establishment standards, the merged company should disclose the following information about the major transactions:

1. Loaning funds to others: None.
2. Endorsement guarantee for others: None.
3. Securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and equity of joint ventures): None.
4. The cumulative amount of buying or selling the same securities reaches NT\$ 300 million or more than 20% of paid-in capital: None.
5. The amount of property acquired is NT\$ 300 million or more than 20% of paid-in capital: None.
6. The amount of property disposed of is NT\$ 300 million or more than 20% of paid-in capital: None.
7. The amount of goods purchased or sold with related parties reaches NT\$ 100 million or more than 20% of paid-in capital: None.

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

8. Amounts due from related parties amount to NT\$ 100 million or more than 20% of paid-in capital: None.

9. Engage in derivatives transaction: Please refer to Note 6(2) for details.

10. Business relations and important transactions between parent and subsidiary companies:

No.	Trader name	Transaction object	Relationship to trader	Transactions from January 1 to December 31, 2022			
				Item	Amount	Transaction condition	Proportion of total merged operating income or total assets
0	The Company	Power Up Tech Co., Ltd.	Transactions between parent company and subsidiary	Operating expense	25,810	Before the 25th day of next month	0.99%
0	"	"	Transactions between parent company and subsidiary	Other payable	952	"	0.03%
1	Power Up Tech Co., Ltd.	Wuxi Super GEM Micro Electric Co., Ltd	Inter-subsidiary transactions	Operating cost	25,093	"	0.96%
1	"	"	Inter-subsidiary transactions	Other payable	921	"	0.03%

Note: Related transactions are written off when preparing consolidated financial report.

### (II) Information related to joint venture:

In 2022, the company's joint venture information is as follows (excluding investee companies in mainland China):

Unit: NT\$ thousands/share

Investment Company Name	Investee Company Name	Locate Region	Main business Service Item	Original investment amount		Ending holding			Mid-term highest	Investee Company Current profit and loss	Recognition in current period Investment profit and loss	Remarks
				End of this period	End of last year	Number of shares	Rate	Book value	Shareholding ratio			
The Company	Jinrong Investment Co., Ltd.	Taiwan	Holding company	100,000	51,000	10,000,000	100.00%	155,302	100.00%	27,651	27,631	Note 1
"	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	41,771	100.00%	4,326	4,326	"
Jinrong Investment Co., Ltd.	Green Solution Technology Co., Ltd.	Taiwan	Manufacturing and Product Design of Electronic Components	48,875	48,875	4,511,514	15.04%	76,141	15.04%	1,499	(366)	Note 2
"	Super Group Semiconductor	Taiwan	Integrated Circuit Design Service, Manufacturing	45,000	-	1,000,000	28.57%	72,749	28.57%	5,693	(1,076)	

Note 1: The Company's subsidiary. It has been written off when preparing the consolidated financial report.

Note 2: Jinrong Investment's affiliated enterprise.

### (III) Investment information in mainland China:

1. Relevant information such as the name and main business items of the investee company in mainland China:

Unit: NT\$ thousands

Investee Company in China Mainland Company name	Main business Item	Paid-in income Capital amount	Investment Method	Cumulative remittance from Taiwan at the beginning of current period Accumulated investment amount	Amount of investment remitted or recovered in the current period		Cumulative remittance from Taiwan at the end of current period Accumulated investment amount	Investee Company Current profit and loss	Direct or indirect investment by the company Shareholding ratio	Mid-term highest or contribution Situation	Investment recognized in current period Profit and loss	Ending investment book value Value	Remittance of the current period Investment income
					Remit	Recovery							
Wuxi Super GEM Micro Electric Co., Ltd	Manufacturing, development and sales of metal oxide semiconductors, providing product quality monitoring and testing services; Sell self-produced products	33,966	Note 1	61,463	-	-	61,463	2,383	100.00%	100.00%	2,383	11,066	-

Note1: Indirect investment through third place Power Up Tech Co., Ltd.

Note2: The investment industry above has been written off when preparing the consolidated financial report.



## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### 2. Investment limit in mainland China:

At the end of this period, the accumulated investment amount remitted from Taiwan to the China mainland	Investment amount approved by MOEAIC	Investment limit in mainland regulated by MOEAIC
61,463	61,463	1,604,958

### 3. Major transactions with mainland invested companies:

From January 1 to December 30 of 2022, the direct or indirect major transactions between the merged company and mainland invested companies, Please refer to note 13(1) “Business Relationships and Important Transactions between Parent and Subsidiaries” for details. The above transaction has been written off when preparing the consolidated financial report.

### (IV) Information of major shareholders:

Share Information of major shareholder	Number of shareholding	Shareholding ratio
Liangjia Investment Co., Ltd.	3,345,257	5.46%

## XIV. Department information

### (I) General information

The main revenue of the merged company comes from the sales of power MOSFET, and the main operating decision-makers of the merged company use the overall operating results as the basis for evaluating performance. Therefore, the merged company is a single operating department, and the information of the operating department in 2022 and 2021 is consistent with the information in the consolidated financial report.

### (II) Information on departmental profit and loss, departmental assets and their measurement basis and adjustment shall be reported

The information of departmental profit and loss, departmental assets and departmental liabilities of the merged company is consistent with the consolidated financial report. Please refer to the consolidated balance sheet and consolidated statement of comprehensive income for details.

### (III) Information on product and service

#### 1. Information on product and service

Information on income, products and services of the merged company from external customers is as follows:

Name of product and service	2022	2021
Power metal-oxide-semiconductor field-effect transistor	\$ 2,494,986	2,645,979
Others	118,497	212,991
	<u>\$ 2,613,483</u>	<u>2,858,970</u>

## Consolidated Financial report Note (Continue) of Niko Semiconductor Co., Ltd. and Subsidiaries

### 2. Region information

The difference information of the merged company is as follows, in which the revenue is classified according to the geographical location of customers, while the non-current assets are classified according to the geographical location of assets.

Revenue from external customers:

<u>Region</u>	<u>2022</u>	<u>2021</u>
Taiwan	\$ 562,531	825,672
China	2,004,521	1,999,900
Other countries	46,431	33,398
Total	<u>\$ 2,613,483</u>	<u>2,858,970</u>

Noncurrent asset:

	<u>2022</u>	<u>2021</u>
Taiwan	\$ 443,337	432,711
China	6,642	7,062
Total	<u>\$ 449,979</u>	<u>439,773</u>

Non-current assets include real estate, plant and equipment, investment real estate, intangible assets and other assets, but do not include financial instruments, deferred income tax assets, assets of retirement benefits and non-current assets of rights arising from insurance contracts.

### (IV) Information of important customer

Details of customers whose operating income of the merged company in 2022 and 2021 accounted for more than 10% of the net operating income of the merged company's income statement are as follows:

	2022		2021	
	Amount	Occupy Ratio %	Amount	Occupy Ratio %
Hongkong Foxport Technology Company Limited	\$ 362,034	14	232,592	8