

Stock code : 2349



RITEK CORPORATION

2020 ANNUAL REPORT



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Ritek's Website: <http://www.ritek.com.tw/>

Market Observation Post System: <http://mops.twse.com.tw>

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Acting Spokesman: Pan, Yan-Ming/VP of the Finance Center

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IV. Latest Financial Report and Independent Auditor

Names of CPA: Chang, Chih-Ming and Hsu, Jung-Huang

Name of Office: Ernst & Young

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V. Place of Overseas Securities Trading and How to Search Overseas Securities Information

1. Trading place: Luxemburg Securities Exchange Company

2. Search website: <http://www.bourse.lu/>

VI. Web Site:

<http://www.ritek.com.tw/>

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7. The chairman, president, financial or accounting person in charge who served in the office of independent auditor or its affiliated entity in the past year shall have his/her name, title, and period of serving in the office of independent auditor or its affiliated entity recorded. The entity affiliated with the office of the independent auditor herein refers to the company or institution in which the CPAs of the office of the independent auditor hold fifty percent or more or acquire majority posts of directors or related parties as released or published by the office of the independent auditor.	52
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I. Letter to Shareholders

Dear Shareholders,

Facing the impact of COVID-19 and operational challenge from lockdown of cities and countries in 2020, in addition to continuous development of edging 300GB and above AD disc, RITEK also completes the mass production of 200GB DSD and 100GB BDXL as well as actively invests in the long-life certification ISO13963 for various disc products with highest standard in the industry as solid preparation for ARCHIVE optical storage market.

Since the disc is featured at long life over fifty years, room temperature storage and saft storage against electromagnetic interference (EMI), it is gradually gaining the popularity among cold storage market. In addition to big capacity, high speed access AD disc as required by large cloud data center, more and more enterprises have introduced the cold storage in optical disc storage system. Therefore, DB and DVD such disc with different capacities will be introduced to ARCHIVE level products with industrial benchmark, the long-life certification ISO16963.

In addition to our principal media business, the OLED display and solar power plant of RITEK also helps with the promotion of overall operational performance after experiencing the epidemic impact.

RITEK will further focus on B2B upstream market to explore fields in related with ARCHIVE market, AIOT, electric vehicle and green energy. It is expected to bring operational strength and effects along with the growth of emerging market.

I. 2020 Overview

(1) Results of the business plan:

Annual turnover for 2020 was NT\$ 6,578,209,000 with a loss of NT\$ 801,727,000. .

(2) Budget implementation: the 2020 financial forecast is not published and therefore is inapplicable.

(3) Financial performance and profitability analysis:

1. Financial performance: The net loss was NT\$ 801,727,000 in 2020, net cash inflow of operating activities NT\$ 1,061,336,000, net cash inflow of investing activities NT\$ 280,485,000, and net cash outflow of financing activities NT\$ 480,085,000. The net increase of cash and cash equivalents was NT\$ 141,510,000, and the balance of cash and cash equivalents at the end of the year was NT\$ 4,187,025,000.

2. Profitability analysis: Please refer to pages 90-93 “Financial Analysis” in this annual report.

(3) Research and development conditions:

Please refer to pages 68-70 “Technology and Research Overview” in this annual report.

II. 2021 business plan overview

(1) Operation guidelines

1. Reinforce the development of data storage discs with high capacity and long lives.
2. Increase diversified product sales corresponding with the needs of market
3. Actively expand the processing of upstream high-end materials with high thresholds
4. Continuously develop group resource effects to meet the demand of the smart network and smart vehicle markets.

(2) Sales forecast and basis

According to the forecast of US analysis institution Gartner, the global digital information will exceed 40,000 EB in 2020. If only 1% digital data is saved in the disc, 800 million high capacity disc will be required in 2020 (calculated by 500GB per disc). However, the overall demand will be deferred this year due to COVID-19.

According to the research report sponsored by SEAGATE and implemented by IDC, the stunning data created in 2025 will reach 163ZB, which will be 10 times in 2016. Therefore, the demand for achieve recording media of cold storage will be promoted as well. However, the overall demand this year will be deferred due to COVID-19.

(3) Production and sales policies:

1. Aggressively pursue large capacity data filing disc technology for business users.
2. Adjust the weight of products in both consumer and b2b markets based on the variation of market demands.
3. In light of the cloud and smart generation, reinforce the group’s core technology by introducing high-end parts and materials development.

III. Future development strategies

1. Expand disc productivity with an ultra-high capacity and life in the next generation to correspond with the database filing demand.
2. Reinforce market competition of products through resources integration under cross-group strategic cooperation.
3. Activate group resources and reinforce the b2b market operation ability.

IV. The impact of the external competition, legal, and macroeconomic environments:

1. External competition environment:

With effects of COVID-19, the demand is facing strict challenge and we will carefully adjust the combination of sales and customers to seek for stable operation.

2. Legal environment:

Both the Company' s products and quality system are satisfactory to international legal requirements, and relevant certifications have been acquired successively, which are positive for the Company' s operation.

3. Macroeconomic environment:

The consumer market of disc industry is decreasing every year and global market development and sales are affected by the impact to materials, products and logistic arising from COVID-19. Accordingly, the demand of Achieve Disc developed for safety storage aiming at large (cloud) data over decades is also deferred. However, Ritek still considers to aggressively increase the weight of B2B database storage and AD products to consolidate the operation of Ritek in term of media business and expect to lead stable growth from positive operation brought by increasing AD disc shipment.

Best Wishes

Chairman and CEO Yeh, Chwei-Jing

II. COMPANY PROFILE

I. Date of establishment : **December 29th, 1988**

II. Company history

- | | | |
|------|-----|--|
| 1988 | DEC | Established in Hsinchu Industrial Zone, with a paid-in capital of NT\$ 60,000,000. As the first professional manufacturer of CDs and CD-ROMs in Taiwan, it is the largest and most productive CD-ROM factory in the area. |
| 1990 | MAY | The first CD-ROM was made in Taiwan. |
| | JUN | The first CD was made in Taiwan. |
| 1991 | MAR | Self-assembled optical disc production equipment no longer has to rely on imports, making it the first manufacturer in Taiwan to have the capability of self-assembled optical disc production equipment. |
| | MAR | The first CD-ROM read-only memory pre-processing device was developed in Taiwan, which was also a multimedia pre-processing device. |
| | APR | Signed an anti-piracy & anti-counterfeiting agreement with the International Federation of the Phonographic Industry (IFPI), with assistance of the IFPI in filtering export orders and providing advice on copyright questions at any time. |
| | MAY | Participated in the Taiwan Electrical Contractors Association, with Mr. Yeh, Chwei-Jing serving as the convener of the CD optoelectronics professional group. |
| | JUN | Ritek successfully followed the specifications of the global ISO 9660 standard and established CD-ROM formatting and other technologies for the development of self-supporting design and manufacturing (ODM) in Taiwan's optoelectronic industry. |
| | AUG | Mr. Lee Teng-hui, former President of Taiwan, the Vice Minister of the Ministry of Economic Affairs, and the Director of the Bureau of Industry visited and instructed the company to pursue further research and development. |
| | AUG | Production capacity was expanded to the third set of optical disc production equipment. |
| 1992 | JUN | The first UNIX-ROM was made in Taiwan. |
| | SEP | Applied to the Securities Regulatory Commission of the Ministry of Finance for public release |
| | SEP | The monthly capacity exceeded 1,000,000 discs. |
| | NOV | Received the Excellent Taxpayer Award as the first optical disc manufacturer in Taiwan. |
| 1993 | JAN | Purchased a color disc printer to be the first to have wedding photos printed on CDs. |
| | JAN | Expanded capacity to six production lines, becoming the largest optical disc manufacturer in Southeast Asia. |
| | FEB | Monthly production capacity exceeds 2,000,000 discs. |
| | JUN | Purchased the first laser disc production equipment (LD) |
| | AUG | The first MAC CD-ROM was made in the R.O.C. |
| | SEP | Successfully produced the first CD-DV in Taiwan. |
| | OCT | The first company in Taiwan to introduce laser video disc |

- manufacturing equipment.
- OCT Purchased laser disc engraving equipment.
- OCT Successfully produced the first CD-V in Taiwan.
- DEC Successfully produced the first CD-1 in Taiwan.
- 1994 JUN The 1st VIDEO CD was released.
- OCT A new factory was established for production and was approved through the ISO 9002 certificate audit.
- OCT Research the development of the CD-R production plan.
- 1995 JAN Mr. Yeh, Chwei-Jing, the general manger of the company, was awarded the Successful Enterprise Manager in Taiwan in 1995.
- MAR Successful research and manufacturing of the CD-R.
- MAY Investment in a high-density CD-ROM (HDCD) R&D production plan.
- JUN Awarded the "Excellent Manufacturer Award" by the Hsinchu County Industry Association.
- JUL Actively expanded production capacity to 12 production lines.
- SEP Signed together with the Material and Chemical Research Laboratories of the Industrial Technology Research Institute (ITRI) for a prerecorded-CD product development cooperation plan.
- DEC Mr. Yeh, Chwei-Jing, the general manager of the company, was awarded the 18th model of entrepreneurship in the Republic of China.
- 1996 APR The company's stock was officially listed on the stock market.
- 1997 JAN Research on DVD-R disc dye synthesis and coating technology development plan.
- MAY Started batch production for DVDs.
- JUL Signed with the Ministry of Economic Affairs for the first phase of the research and development plan for key technologies for CD production.
- AUG Started batch production for CD-RW.
- OCT Research and development plan for disc warpage measuring instrument.
- DEC Passed the audit for the ISO9001 certificate.
- 1998 JAN Mr. Yeh, Chwei-Jing, the general manager, was appointed Vice President of the DVD UNION.
- AUG Successful development of MD.
- OCT Successful development of DVD-R.
- NOV The 10th Anniversary of the factory & the Founding of the New Factory.
- NOV Start of the Multi-media Transport Center in the Asia-Pacific area.
- 1999 APR Won the Excellence Award in the 7th Industrial & Technology Development meeting held by the Ministry of Economics.
- JUN Signed with Phillips for long-term business for a strategic union and established a joint venture for disc manufacturing with Phillips Germany.
- JUN Mr. Lee Teng-hui, the former president of Taiwan, visited the company.
- AUG Signed a CD-R production and marketing strategy alliance with

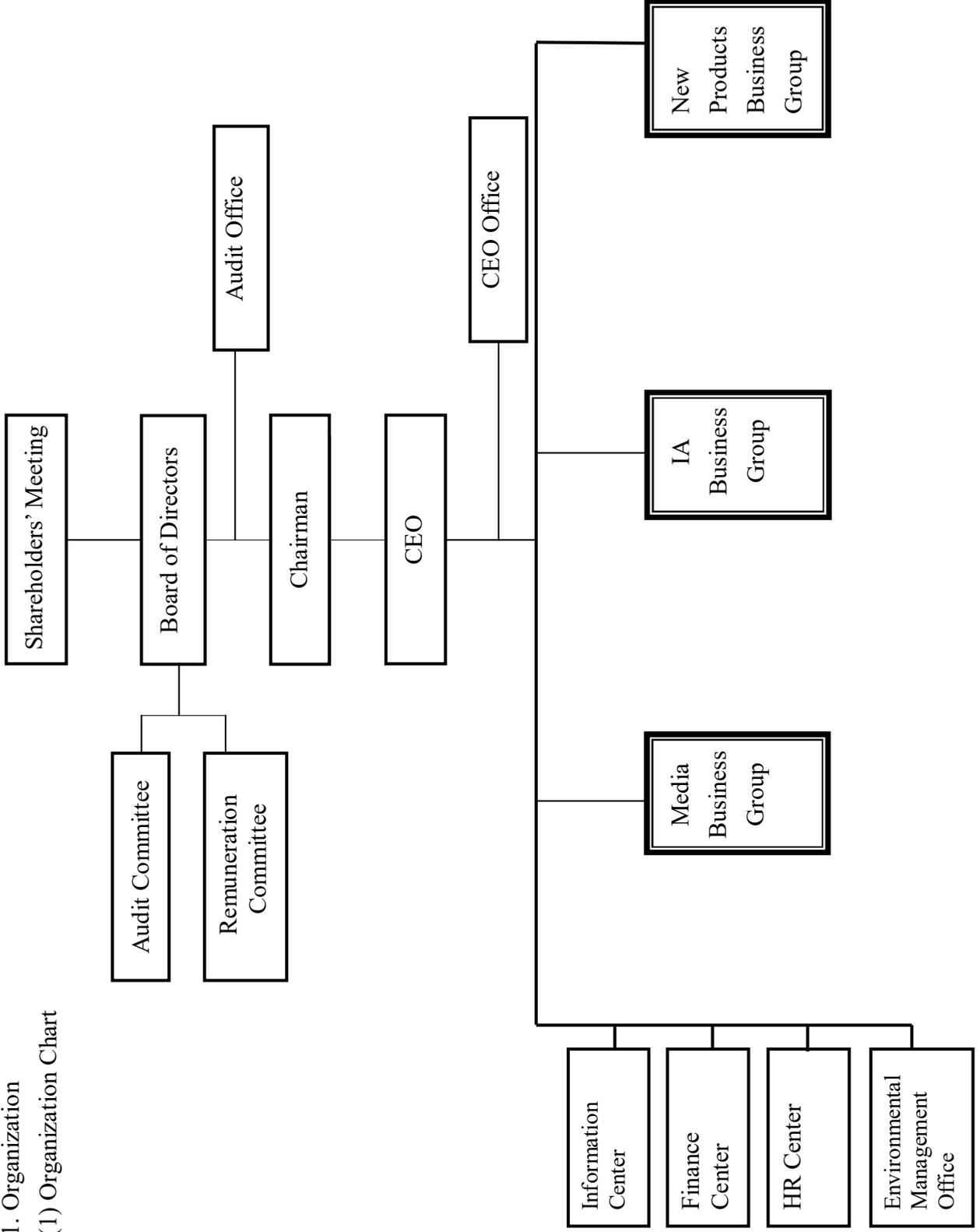
- RICOH.
- DEC Established a branch office in Chung-Hsing Industrial Zone, Tongluo Township, Miaoli County, Taiwan.
- 2000 JAN Mr. Yeh, Chwei-Jing, the general manager, was again appointed the Vice-president of the DVD Union.
- JAN Announcement of merger plan among Ritek, HSIN-CHUN, and CHIH-TIEH.
- FEB Signed the merger agreement with HSIN-CHUN and CHIH-TIEH.
- OCT Awarded as one of the top 300 most worthwhile companies by Forbes Magazine.
- NOV Morgan Stanley Capital International (MSCI) brought Ritek to the MSCI Taiwan Stock Index.
- 2001 JUN Re-election of new directors and supervisors of the sixth board during that year's shareholders' meeting.
- 2002 JAN The company completed the collection of US\$175 million in five-year overseas convertible corporate bonds, which were mainly used to expand optical production equipment.
- JAN The company invited Nobel Laureate in Chemistry Dr. Alan Heeger to visit Taiwan and hosted the Taiwan New Generation Panel Display OLED Industry Seminar.
- JAN Ching Ming Investment Co., Ltd. resigned as director as of January 8th, 2002.
- 2003 AUG Issued employee warrants.
- 2004 JUN Election of new directors and supervisors of the 7th board in that year's shareholders' meeting.
- 2005 MAR 8X DVD+RW was the first to pass the Philips audit.
- JUL Asia-Pacific Growth Fund resigned as director as of July 8th, 2005.
- AUG Passed the audit of the ISO14001 : 2004 certificate.
- SEP Passed the audit of the OHSAS18001 certificate.
- NOV Passed the audit of the ISO 9001 : 2000 certificate.
- DEC CD-R, DVD-R, and DVD+R discs produced by Ritek won the second class environmental labeling products authorized by the Environmental Protection Administration, Executive Yuan.
Received the Green mark authorized by the EPA.
Received the RICOH's CMS certificate.
- 2006 NOV Mr. Chang, Chao-Fen, the director, resigned as of Nov. 16th, 2006.
- 2007 JUN That year's shareholders' meeting was held for the re-election of directors and supervisors.
- SEP Established ITO conductive glass factory (AimCore Technology Co., Ltd).
- 2008 AUG Signed with Scheuten to cooperate on a solar battery modular.
- OCT Established the advanced CIGS thin film solar cell manufacturing factory with Scheuten.
- 2009 DEC Renewed the patent license contract with Koninklijke Philips Electronics N.V.
- 2010 JUN Re-election was held during the shareholders' meeting for new directors and supervisors.

2011	JUL	Awarded as one of the top 100 brands in Taiwan sponsored by the Bureau of Foreign Trade, Ministry of Economic Affairs.
2012	OCT	Mr. Lin, Chu-Chia resigned as an independent director as of Oct. 15 th , 2012.
2013	JUN	The M-DISC DVD won the technology trend golden award sponsored by PC Home and PCADV.
	JUN	New directors and supervisors for the 10 th board meeting were selected during that year's shareholders' meeting.
	DEC	Mr. Chen, Chun-Chao, the independent director, resigned as of Dec. 13 th , 2013.
2014	JUN	The new board of directors and supervisors for the eleventh meeting were re-elected in the meeting in 2014.
2015	JUN	The chairman of the board, Mr. Yeh Chin-Tai, resigned as Director and Chairman, and Mr. Yeh, Chwei-Jing was selected as the new chairman.
2016	JAN	Ritek Foundation set up a daycare centre for the elderly, establishing the Mengzihu-Yilai day care centre.
	JUL	Ritek Group Inc. (Cayman) was listed on Taiwan's OTC stock market.
	AUG	The amount of the reduced funds was NT\$ 8,461,352,940, and the change in the paid-in capital was registered as NT\$17,667,921,300.
2017	JUN	The re-election was held at the meeting of the 2017 of Taiwan, holding the twelfth board of directors of the company and setting up the first audit committee.
2018	JUL	The amount of the reduced funds was NT\$4,826,342,300, and the change in the paid-in capital was registered as NT\$12,841,579,000.
2019	JAN	IPO of the subsidiary Ritdisplay of Ritek Group
2020	JUL	The amount of the reduced funds was NT\$5,904,782,370, and the change in the paid-in capital was registered as NT\$6,936,796,630.

III. Significant changes in the operation or business mode and other important matters that may affect the shareholders' equity and their impact on the company in the most recent year and this year as of the date of publication: no such situation.

III. Corporate Governance Report

1. Organization (1) Organization Chart



Businesses managed by major departments:

Department	Duties
CEO Office	<ul style="list-style-type: none"> (1) Collect all kinds of operational information to assist the CEO in developing all projects (2) Assist the Company in establishing the overall operation system and evaluating plans proposed by various departments to help form company decisions (3) Plan and promote matters regarding the reasonableness of corporate management
Audit Office	Periodically audit the operation and implementation of various company systems and subsequently file reports
Media Business Group	<ul style="list-style-type: none"> (1) Responsible for developing domestic and foreign customers and order consultation (2) Customer service, complaint management, and market information feedback as well as the handling of domestic and foreign businesses. (3) Responsible for the sales promotion of products of the operation unit and agency products (4) Manufacturing regarding all disc products of the Company (5) Pretreatment of the Company's products, customer source confirmation, and new products pretreatment technology development (6) Such daily routine management as onsite management, equipment, material and personnel, and methodology management. (7) Cross-department functional management regarding the quality, costs, and delivery time of all processes. (8) Such overall production management as company production plan preparation, productivity planning, production and sales coordination, onsite management, and standard productivity setting. (9) Plan and control inventory levels of the products in all plants (10) Adjust the productivity and production schedule in accordance with customer demands and arrange transportation as appropriate to reduce costs (11) Analyze and integrate system information and prepare annual plan guidelines (12) Such overall procurement matters as supplier development, selection, management and order distribution, and purchase follow-up and coordination.
IA Business Group	Small-size storage media production and development, magnetic technology research, and consumer products sales.
New Products Business Group	<ul style="list-style-type: none"> (1) Organic chemical production recycling, and project planning, evaluation, and development (2) New product development, promotion, and sales
Information Center	Responsible for the planning and maintenance of computer equipment and application systems inside the plant
Finance Center	<ul style="list-style-type: none"> (1) Such financial management as cash flow control, capital planning, application, and distribution (2) Responsible for such accounting management as accounting affairs, tax management, cost analysis, and budget preparation and control (3) Investment planning, promotion, implementation, and control, as well as analysis and evaluation, of all investment opportunities

HR Center	(1) Such personnel management as employee planning, recruitment, employment, promotion, reward and punishment, and welfare (2) Responsible for employee educational training
Environmental Management Office	Environmental management, instructions, and supervision

2. Information regarding directors, supervisors, president, vice president, and heads of all departments and branches:

(1) Directors and supervisors

1. Directors and supervisors

April 20, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding		Shares held in the name of others		Major Experiences & Education (note 3)	Selected Current Positions at RITEK and Other Companies	Other Managers, Directors, or Supervisors Regarding Spouse or Relative of Second Degree Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Director	Yang, Wei-Feng	Couple	
Director	R.O.C.	Yeh, Chwei-Jing	Male	2020.6.17	3 years	2001.06.04	18,906,238	1.47%	10,666,857	1.54%	7,653,142	1.10%	-	-	Chairman and CEO of RITEK Corporation, Master's degree from Stevens Institute of Technology	Note 1	Director	None	None	None
Director	R.O.C.	Yang, Wei-Feng	Female	2020.6.17	3 years	2001.06.04	14,167,698	1.10%	7,653,142	1.10%	10,666,857	1.54%	-	-	Deputy CEO of RITEK Corporation EMBA, National Cheng Chi University General Manager of H&Q Asia Pacific Taiwan	Note 2	Director	Yeh, Chwei-Jing	Couple	
Director	R.O.C.	Chiang, Wei-Feng	Male	2020.6.17	3 years	2007.06.13	-	-	-	-	-	-	-	-	General Manager of Pacific Venture Group Master degree of Department of Business Administration, National Chung Hsing University	Note 3	None	None	None	
Director	R.O.C.	Representative person of Chung Kai Investment co., Ltd.	-	2020.6.17	3 years	2020.6.17	8,086,341	0.63%	4,368,099	0.63%	-	-	-	-	N/A	-	-	-	-	
Director	R.O.C.	Pan, Yan-Ming	Male	2020.6.17	3 years	2017.6.13	-	-	-	-	-	-	-	-	Vice President of Investment, RITEK Corporation, Master's degree from Economic Graduate School, Chinese Culture University Master Degree of Business Administration, College of Commerce, National Chengchi University	Note 4	None	None	None	
Independent Director	R.O.C.	Chen, Jun-Chao	Male	2020.6.17	3 years	2017.6.13	-	-	-	-	-	-	-	-	PhD, Business Administration, Macau University of Science and Technology	Note 5	None	None	None	
Independent Director	R.O.C.	Hsin, Chih-Hsia	Female	2020.6.17	3 years	2014.6.17	17,304	0.00%	9,347	0.00%	-	-	-	-	IMBA, North Virginia University, USA	Note 6	None	None	None	
Independent Director	R.O.C.	Chang, Tso-Hsia	Male	2020.6.17	3 years	2020.6.17	-	-	-	-	-	-	-	-	Bachelor of Science Department of Civil Engineering	Note 7				
Independent Director	R.O.C.	Lin, Zu-Chia	Male	2017.6.17	3 years	2017.6.13	-	-	-	-	-	-	-	-	N/A	Note 8	None	None	None	

Note: When the chairmen and president or person in equivalent level (highest manager) is the same person, spouse to each other or relative in first degree kinship, the information regarding the reason, rationality, necessity and future improvement measure (e.g. additional seats of independent directors, and majority directors do not serve as employees or managers) shall be provided:

The chairman who also serves as the CEO is to improve operational efficiency and decision implementation power. However, to reinforce the independence of the Board, the company has actively trained the candidates as appropriate. In addition, the chairman also closely communicates with all directors about company operation and policies in ordinary time to carry out corporate governance. In the future, the company plans to increase the seats of independent directors in order to

promote the functions of Board and reinforce the supervision function as well. Currently, the company has physical actions as follows: Present independent directors are specialized in financial accounting and industrial field to develop their supervision function effectively.

All directors are arranged to attend advance study every year to improve the operation efficacy of the Board.

Independent directors may fully discuss and provide suggestions to all functional committees as references for the Board to carry out corporate governance. Majority members of the Board do not serve as employees or manager.

Note1 : Yeh, Chwei-Jing act as Chairman and CEO of RITEK Corporation , Representative of chairman of U-Teck Media Technology , Representative of chairman and general manager of Zhong Fu Investment Co., Chairman and general manager of Zhong Yuan International Venture Capital Co, Director of I-Chiun Precision Co., Director of Keynes Investment Co., Representative of chairman of AimCore Technology Co., Chairman of PVNEXT Corporation, Chairman of Ritek Display Technology Co., Chairman of Laiyang Technology Co., Ltd., Representative of chairman and general manager of RITEDIA Corporation, Representative of chairman Right In Technology Co., Representative of chairman AimEC Corporation, Director of Yu Sheng Investment Co., Representative of the Corporate Director of Ritek Vietnam Corporation Ltd., Representative of the Corporate Director and general manager of Ritek Group Inc, (Cayman), Representative of the Corporate Director and general manager of ART Management Ltd.(B.V.I.), Representative of the Corporate Director of Affluence International Co., Ltd. (B.V.I.), Representative of the Corporate Director and general manager of Score High Group Ltd. (B.V.I.), Representative of the Corporate Director and general manager of Max Online Ltd., Representative of the Corporate Director of RIC Corp. Ltd.(Vietnam), Representative of the Corporate Director of Advanced Media Inc.

Note 2: Yang, Wei-Feng act as Deputy CEO and director of RITEK Corporation, Executive Director of U-Teck Media Technology, Representative of the Corporate Director of Zhong Yuan International Venture, Representative of the Corporate Director of Ritdisplay Corporation, Representative of the Corporate Director of Bolai Technology Co., Ltd., Representative of the Corporate Director of Cashido Co., Representative of the Corporate Director of Ritpower (yangzhou) Co., Ltd., Corporate Representative of AimCore Technology Co., Representative of the Corporate Director of Handa Investment Co., Ltd., Representative of the Corporate Director of WAN-TA Venture Capital, Chairperson of Lai Factory Co., Ltd., Chairman of RITEK Cultural Foundation, Chairperson of Dollars cultural and creative industry company, Chairperson of Keynes Investment Co., Chairman of Yu Sheng Investments Ltd., Director of Finesil Technology Co., Ltd., Representative of the Corporate Director of HouJu Energy Development Co., Ltd., Representative of the Corporate Director of ART Management Ltd. (B.V.I.), Representative of the Corporate Director of Jade Investment Services Ltd., Representative of the Corporate Director of Hsin Pao Asset Company, Chairperson of Ricare Co., Ltd. Representative of Corporate Director, Social Welfare HAKUYUKAI GROUP, Representative of Corporate Director, Dream Lake, Representative of Corporate Director, Glory Days Services Ltd., Representative of Corporate Supervisor, U-Tech Media Korea Co., Ltd.

Note 3: Chiang, Wei-Feng act as Chairman of Black Marble Capital Management Co., LTD, Director of AmTRAN Technology Co., Director of AMTRAN

TECHNOLOGY CO.,LTD, Director of Hua Jung Co., Ltd., Director of Pihong Technology Co., Director of HT Precision Technologies, Inc.

Note 4: Pan, Yan-Ming act as Representative of the corporate director and vice president of RITEK Corporation, Representative of the Corporate Director of Zhong Fu Investment Co., Representative of the Corporate Chairman and general manager of Lilai (Yangzhou) Optoelectronic Technology Co., Ltd., Representative of the Corporate Director of AimCore Technology Co., Representative of the Corporate Director of U-Teck Media Technology, Representative of the Corporate Supervisor of RITEDIA Corporation, Representative of the Corporate Director of Ritekdisplay Technology Co., Representative of the Corporate Director of Laiyang Technology Co., Ltd., Representative of the Corporate Supervisor of Hua Chi Venture Capital Co., Representative of the Corporate Director of Bolai Technology Co., Ltd., Supervisor of PVNEXT Corporation, Representative of the Corporate Supervisor of Lai Factory Co., Ltd., Representative of the Corporate Supervisor of Kunshan Kunlai Trade Co., Ltd., Representative of the Corporate Chairman of Kunshan Hutek Co., Ltd., Director of Cashido Corporation, Independent Director, Compensation Committee Member and Audit Committee Member of Yield Microelectronics Corp., Supervisor of Finesil Technology Inc., Representative of the Corporate Chairman of Houlu Energy Development Co., Ltd., Representative of the Corporate Chairman of Hou Cheng Optoelectronic Technology Co., Ltd., Representative of the Corporate Director of O-View Tech Co., Representative of the Corporate Director of Hsin Pao Asset Company, Supervisor of AimEC Corporation, Representative of the Corporate Director of JHEN JHUAN CO., LTD.

Note 5: Chen, Jun-Chao act as Compensation Committee Member of Regent Taipei, Director of HONG-JIN Co., Ltd., Director of Ritek Foundation.

Note 6: Hsin, Chih-Hsiu act as General Manager of Chinese Association Of Collectors, The Wings Of Hope Humanitarian Aviation Organization, China Cross Strait Interchange Association, Shing Hsiang (Huizhou) Printing Co, Shing Hsiang Printing Co.(Taiwan), Hsin Ling Enterprise Co., Managing Director of Shing Hsiang Printing Co.(Taiwan), General Manager of Shing Hsiang (Huizhou) Printing Co., Dharma Drum Mountain Social Welfare & Charity Foundation, Chairman of The Wings Of Hope Humanitarian Aviation Organization, Member of the Remuneration Committee of U-Teck Media Technology.

Note 7: Chang, Tso-Hsia act as assistant manager of Jih Sun Securities Co., Ltd., Manager of Yuanta Securities Co., Ltd., Sales Director of Ji Lian Real Estate Co. Ltd.

Note 8: The Company elected all the directors on June 127, 2020, and the independent director Mr. Lin, Zu-Chia was discharged.

2. Major shareholder of corporate shareholders

April 20, 2021

Name of Corporate Shareholder	Major Shareholders of Corporate Director	Shareholding
Chung Kai Investment co., Ltd.	Yu Sheng Investments Ltd.	69%
	Yeh, Chwei-Jing	25%

3. Major shareholders of corporate shareholder is representative of Corporate Shareholder

April 20, 2021

Name of Corporate Shareholder	Major Shareholders of Corporate Director	Shareholding
Yu Sheng Investments Ltd.	Yeh, Chwei-Jing	48.35%
	Yang, Wei-Feng	48.35%

4. Professional Qualification and Independence of Directors and Supervisors

Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria (note)												Number of Other Taiwanese Public Companies Where the Individual Is Concurrently Serving as an Independent Director	
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	With Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Other Area Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
Yeh, Chwei-Jing			V					V	V	V	V	V	V	V	V	V	0
Yang, Wei-Feng			V	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Chiang, Wei-Feng			V	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Representative of Chung Kai Investment co., Ltd. : Pan, Yan-Ming			V					V	V	V	V	V	V	V	V	V	1
Chen, Jun-Chao	V		V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Hsin, Chih-Hsiu			V	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Chang, Tso-Hsia			V	V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: During the two years before being elected and during the term of office, if the directors meet any of the following situations, please check "V" in the appropriate corresponding boxes:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates (however, the same does not apply

in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse or minor children or held by the person under another's names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranking among its top five shareholders;
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (except for mutual service of independent directors among the company or parent company, subsidiary or subsidiaries subordinated to the same parent company established pursuant to the Act or local laws) ;
- (7) Not a director, supervisor, or employee of a company of which the chairman, president or position in equivalent themselves or their spouse also serve as the company's president or position in equivalent (except for mutual service of independent directors among the company or parent company, subsidiary or subsidiaries subordinated to the same parent company established pursuant to the Act or local laws);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (9) Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services, or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies Whose Stock Is Listed on the TWSE or Traded on the GTSM";
- (10) Not having a marital relationship or a relation within the second degree of kinship to any other director of the company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (12) Not a governmental or juridical person or its representative as defined in Article 27 of the Company Law.

(2) Information Regarding the President, Vice President, Directors, and Heads of All Departments and Branches

April 20, 2021 Unit: share; %

Title	Nationality	Name	Gender	Date Elected	Term of Office		Date First Elected		Shareholding when Elected		Education and Experiences	Selected Current Positions at Other Companies	Other Manager, Directors or Supervisor in Relation of Spouse or Relative in Second Degree Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CEO	R.O.C.	Yeh, Chwei-Jing	Male	2000.03.10	10,666,857	1.54%	7,653,142	1.10%	-	-	MD, Stevens Institute of Technology	Please refer to Page 8	Deputy CEO	Yang, Wei-Feng	Couple	note
Deputy CEO	R.O.C.	Yang, Wei-Feng	Female	2000.03.10	7,653,142	1.10%	10,666,857	1.54%	-	-	Deputy CEO of RITEK Corporation EMBA, National Cheng Chih University	Please refer to Page 9	Chairman and CEO	Yeh, Chwei-Jing	Couple	
General Manager	R.O.C.	Lo, Chin-Zhong	Male	2000.03.10	6,323	0.00%	-	-	-	-	Department of Engineering, Cheng Kung University	Note 1	None	None	None	
General Manager	R.O.C.	Chang, Shao-Dian	Male	2003.04.01	334	0.00%	8	0.00%	-	-	Department of Chemical Engineering, Nanya Technical Institute	None	None	None	None	
Deputy General Manager	R.O.C.	Pan, Yan-Ming	Male	2009.02.02	-	-	-	-	-	-	Master of Economic Graduate School, Chinese Culture University	Please refer to Page 10	None	None	None	
Deputy General Manager	R.O.C.	Chen, Chi-Hung	Male	2019.05.10	-	-	-	-	-	-	Department of Physics, Chung Yuan Christian University	None	None	None	None	
Deputy General Manager	R.O.C.	Lin, Ming-Shun	Male	2019.05.10	-	-	-	-	-	-	Department of Mechanical Engineering, National Taiwan University of Science and Technology	None	None	None	None	
Deputy General Manager	R.O.C.	Shih, Gu-Fu	Male	2007.06.30	-	-	-	-	-	-	MD, Department of Business Administration, National Tsing Hua University	Note 2	None	None	None	
Director	R.O.C.	Chiang, Cheng-Hung	Male	2019.05.10	-	-	-	-	-	-	College of Law, National Chengchi University	None	None	None	None	

Note: When the chairmen and president or person in equivalent level (highest manager) is the same person, spouse to each other or relative in first degree kinship, the information regarding the reason, rationality, necessity and future improvement measure (e.g. additional seats of independent directors, and majority directors do not serve as employees or managers) shall be provided:

The chairman who also serves as the CEO is to improve operational efficiency and decision implementation power. However, to reinforce the independence of the Board, the company has actively trained the candidates as appropriate. In addition, the chairman also closely communicates with all directors about company operation and policies in ordinary time to carry out corporate governance. In the future, the company plans to increase the seats of independent directors in order to promote the functions of Board and reinforce the supervision function as well. Currently, the company has physical actions as follows:

1. Present independent directors are specialized in financial accounting and industrial field to develop their supervision function effectively.
2. All directors are arranged to attend advance study every year to improve the operation efficacy of the Board.
3. Independent directors may fully discuss and provide suggestions to all functional committees as references for the Board to carry out corporate governance.
4. Majority members of the Board do not serve as employees or manager.

Note 1: Lo, Chin-Zhong act as Representative of Chairman of PRORIT CORPORATION., Representative of the Corporate Director of RITEDIA Corporation, Representative of the Corporate Director of HouJu Energy Development Co., Ltd., Representative of the Corporate Director of Hou Cheng Optoelectronic Technology Co., Ltd., Representative of Chairman of Right In Technology Co., Representative of the Corporate Director of Luminet Automotive Technologies, Representative of the Corporate Director of Arlewood International Ltd., Representative of the Corporate Director of Kunshan Protek Co., Ltd., Representative of the Corporate Director of Prorit Corporation, Vietnam Ltd.

Note 2: Shih, Gu-Fu act as Representative of the Corporate Supervisor of Chung Yuan Venture Capital & Investment International Inc, Representative of the Corporate Supervisor of Chung Fu Investment Ltd., Supervisor of PRORIT CORPORATION.. Supervisor of Cashido Technology Co., Ltd., Representative of the Corporate Director Ritpower (yangzhou) Co., Ltd, Supervisor of Right In Technology Co., Supervisor of Ritwin Corporation Representative of the Corporate Supervisor of TOGOWIN TECHNOLOGY CO.,Ltd..

3. Remuneration paid to Directors (including Independent Directors), Supervisors, Presidents, and Vice Presidents

(1) Remuneration paid to Directors (including Independent Directors)

Title	Name	Director's Remuneration								The % of (A+B+C+D) over Net Income (note11)	Compensation Earned by a Directors Who is an Employee of the Company								The % of (A+B+C+D+E+F+G) over Net Income (note11)	Compensation Paid to Directors from Non-consolidated Affiliates (note 12)			
		Compensation (A) (note2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (note3)		Allowance (D)(note4)			Salary, Bonus and Special Allowance (E)(note5)		Severance Pay and Pension (F)		Employees' Profit Sharing Bonus (G)(note6)								
		RI TE K	From all Consolidated Entities (note7)	RI TE K	From all Consolidated Entities (note7)	RI TE K	From all Consolidated Entities (note7)	RI TE K	From all Consolidated Entities (note7)		RI TE K	From all Consolidated Entities (note7)	RI TE K	From all Consolidated Entities (note7)	RI TE K	From all Consolidated Entities (note7)	Cash	Stock			Cash	Stock	RI TE K
Chairman	Yeh, Chwei-Jing	0	20,824	0	0	0	1,846	100	360	0	0	3,907	3,907	262	262	0	0	0	0	0	0	0	0
Director	Yang, Wei-Feng	0	0	0	0	0	900	100	360	0	0	5,383	10,281	68	188	0	0	1,659	0	0	0	0	
Director	Chiang, Wei-Feng	0	0	0	0	0	0	100	100	0	0	0	0	0	0	0	0	0	0	0	0	0	
Director	Pan, Yan-Ming	0	0	0	0	0	0	100	360	0	0	1,334	1,334	81	81	0	0	0	0	0	0	0	
Independent Director	Chen, Jun-Chao	0	0	0	0	0	0	100	160	0	0	0	0	0	0	0	0	0	0	0	0	0	
Independent Director	Hsin, Chih-Hsiu	0	0	0	0	0	0	100	100	0	0	0	0	0	0	0	0	0	0	0	0	0	
Independent Director	Chang, Tso-Hsia	0	0	0	0	0	0	54	54	0	0	0	0	0	0	0	0	0	0	0	0	0	
Independent Director	Lin, Zu-Chia	0	0	0	0	0	461	46	76	0	0	0	0	0	0	0	0	0	0	0	0	0	

Note: The Company elected all the directors on June 127, 2020, and the independent director Mr. Lin, Zu-Chia was discharged and the new independent director Chang, Tso-Hsia succeeded the office.

Note 1: The names of Directors shall be listed separately (the names of corporate shareholders and representatives of corporate shareholders shall also be listed separately) and the amount paid is disclosed in total amount. This table and following tables (3-1) or (3-2) should also be completed if the Director also serves as President or Vice President.

Note 2: Refers to the compensation of a Director in the most recent year (including salary, duty allowance, severance pay, all bonuses, rewards, etc. of the Director)

Note 3: Refers to the compensation amount distributed to the Directors upon resolution of a Board meeting.

Note 4: Refers to the relevant business execution fees of the Directors in the most recent year (including traffic allowance, special allowance, various allowances, dormitory and vehicle provisions, etc.). If the house, vehicle and other means of transportation, or personal expenditures are provided, the nature and cost of the asset provided, actual or imputed rent calculated by fair market value, gasoline, and other payments shall be disclosed. In the case of a driver at service, please specify the relevant compensation paid by the Company to the driver in the note, but this amount shall be excluded from the compensation.

Note 5: Refers to the salary, duty allowance, severance pay, various bonuses, rewards, traffic allowance, special allowance, various allowances, dormitory and vehicle provisions, etc. paid to the Director who is an employee of the Company in the most recent year. If the house, vehicle and other means of transportation, or personal expenditures are provided, the nature and cost of the asset provided, actual or imputed rent calculated by fair market value, gasoline, and other payments shall be disclosed. In the case of a driver at service, please specify the relevant compensation paid by the Company to the driver in the note, but this amount shall be excluded from the compensation. Meanwhile, the salary recognized according to IFRS 2 "Share-based Payment", including employee stock options, restricted employee shares, and shares subscription for capital increment by cash shall also be included in the compensation.

Note 6: For a Director who is an employee of the Company (including President, Vice President, and other managers and employees), the amount of employee profit sharing bonus distributed to the Director in the most recent year shall be disclosed. If the amount cannot be estimated, then the proposed distribution amount calculated by the proportion of actual distribution last year shall be provided; meanwhile, the attached Table 1-3 shall be otherwise completed.

Note 7: Disclose the total amount of compensation paid by all companies (including the Company) in the consolidated report to Directors of the Company.

Note 8: Disclose the name of Directors in correspondent scale of total amount of all compensations paid to each Director of the Company.

Note 9: Disclose the name of Directors in correspondent scale of total amount of all compensations paid by all companies (including the Company) in the consolidated report to each Director of the Company.

Note 10: Net income after tax refers to the net income after tax in the most recent year; when adopting IFRS, net income after tax refers to the net income after tax in an individual or separate financial report in the most recent year.

Note 11: a. Fill in the specific compensation amount received by the Directors of the Company from non-consolidated affiliates in this column.

b. If the Director receives relevant compensation from a non-consolidated affiliate, the compensation received by the Director from non-consolidated affiliates shall be

incorporated in column I of the compensation scale, and the name of column shall be changed to “all non-consolidated affiliates”.

c. Remuneration refers to pay, compensation (including compensation to employees, Directors, and Supervisor), and allowances.

※The content of compensation disclosed in this table differs from the concept of income. Therefore, the purpose of this table is information disclosure, not taxation.

(2) Compensation paid to the President and Vice Presidents

Unit: thousand dollars; thousand shares

Title	Name	Salary (A) (note 2)		Severance Pay and Pension (B)		Bonus and Special Allowance (C) (note 3)		Employees' Profit Sharing Bonus (D) (note 4)				The % of (A+B+C+D) over Net Income (note 9)		Other Manager, Directors or Supervisor in Relation of Spouse or Relative of Second Degree Kin (note 10)
		RITEK	From all Consolidated Entities (note 5)	RITEK	From all Consolidated Entities (note 5)	RITEK	From all Consolidated Entities (note 5)	RITEK		From all Consolidated Entities (note 5)		RITEK	From all Consolidated Entities (note 5)	
								Cash	Stock	Cash	Stock			
Chairman & CEO	Yeh, Chwei-Jing	20,210	46,432	894	1,014	300	1,080	0	0	4,405	0	0	0	None
Deputy CEO	Yang, Wei-Feng													
President	Lo, Ching-Zhong													
President	Chang, Shao-Dian													
Vice President	Pan, Yan-Ming													
Vice President	Chen, Chi-Hung													
Vice President	Lin, Ming-Shun													
Vice President	Shih, Gu-Fu													

Compensation Scale

Scale of Compensation paid to Each President and Vice President	Name of President and Vice President	
	RITEK (note7)	From all Consolidated Entities (note8)
Below 2,000,000	Pan, Yan-Ming Chen, Chi-Hung Lin, Ming-Shun Shih, Gu-Fu	Pan, Yan-Ming Chen, Chi-Hung Lin, Ming-Shun Shih, Gu-Fu
2,000,000(included)~5,000,000 (excluded)	Yeh, Chwei-Jing Luo, Ching-Zhong Chang, Shao-Dian	Luo, Ching-Zhong Chang, Shao-Dian
5,000,000(included)~10,000,000 (excluded)	Yang, Wei-Feng	
10,000,000(included)~15,000,000 (excluded)		Yang, Wei-Feng
15,000,000 (included)~30,000,000 (excluded)		
30,000,000(included)~50,000,000 (excluded)		Yeh, Chwei-Jing
50,000,000(included)~100,000,000 (excluded)		
Over 100,000,000		
Total	8	8

Note 1: The names of the President and Vice Presidents shall be listed separately and the amount paid shall be disclosed in the total amount. This table and Table (1-1) or (1-2) above should be completed if the Director also serves as President or Vice President.

Note 2: Refers to the salary, duty allowance, and severance pay of the President and Vice Presidents in the most recent year.

Note 3: Refers to relevant business execution fees of Directors in the most recent year (including traffic allowance, special allowance, various allowances, dormitory and vehicle provisions, etc.). If the house, vehicle and other means of transportation, or personal expenditures are provided, the nature and cost of the asset provided, actual

or imputed rent calculated by fair market value, gasoline, and other payments shall be disclosed. In the case of a driver at service, please specify the relevant compensation paid by the Company to the driver in the note, but this amount shall be excluded from the compensation. Meanwhile, the salary recognized according to IFRS 2 “Share-based Payment”, including employee stock options, restricted employee shares, and shares subscription for capital increment by cash shall also be included in the compensation.

- Note 4: Refers to the amount of employee profit sharing bonus distributed to the President and Vice Presidents (including stocks and cash) upon resolution of the Board meeting in the most recent year shall be disclosed. If the amount cannot be estimated, then the proposed distribution amount shall be calculated by the proportion of actual distribution in the previous year, and the attached Table 1-3 shall be completed otherwise. Net income after tax refers to the net income after tax in the most recent year; when adopting IFRS, net income after tax refers to the net income after tax in an individual or separate financial report in the most recent year.
- Note 5: Disclose the total amount of compensation paid by all companies (including the Company) in the consolidated report to the President and Vice Presidents of the Company.
- Note 6: Disclose the names of the President and Vice Presidents in correspondent scale of total amount of all compensations paid to each President and Vice President of the Company.
- Note 7: Disclose the names of the President and Vice Presidents in correspondent scale of total amount of all compensations paid by all companies (including the Company) in the consolidated report to each President and Vice President of the Company.
- Note 8: Net income after tax refers to the net income after tax in the most recent year; when adopting IFRS, net income after tax refers to the net income after tax in an individual or separate financial report in the most recent year.
- Note 9: a. Fill in the specific compensation amount received by the President and Vice President of the Company from non-consolidated affiliates in this column.
b. If the President and Vice Presidents receive relevant compensation from a non-consolidated affiliate, the compensation received by the President and Vice Presidents from non-consolidated affiliates shall be incorporated into column I of the compensation scale, and the name of the column shall be changed to “all non-consolidated affiliates”.
c. Remuneration refers to the pay, compensation (including compensation to employees, Directors, and Supervisors), and allowances.
- *The content of compensation disclosed in this table differs from the concept of income. Therefore, the purpose of this table is information disclosure instead of taxation.

- (3) The employees' profit sharing bonus paid to managers in the most recent year: no employees' profit sharing bonus was paid in 2020.
- (4) Compare the ratio of total amount of compensation paid to the Directors, Supervisors, President, and Vice Presidents over the net income after tax in the individual or separate financial report of the last two years and the policies, standards, and combination of compensation, the procedures of setting compensation, the correlation with operational performance, and future risks:
1. The analysis for ratio of total amount of compensation paid to Directors, Supervisors, President, and Vice Presidents over the net income after tax in the individual or separate financial report of the last two years:

Unit: thousand dollars

Year	The total amount of compensation paid to Directors, Supervisors, President and Vice President		Ratio of total amount over net income after tax (%)	
	RITEK	All Companies in Financial Report	RITEK	All Companies in Financial Report
2019	15,774	52,945	(Note)	(Note)
2020	21,804	53,883	(Note)	(Note)

Note: Since the Company had operational losses in the most recent two years, the ratios of total compensation over net income after tax were not calculated.

2. The policies, standards, and combination of compensation paid to Directors, Supervisors, President, and Vice Presidents, the procedures of setting compensation, the correlation with operational performance, and future risks:

- (1) The regulations governing the compensation paid to Directors and Supervisors of the Company:

According to the articles of incorporation, where the annual final account shows profit, the Corporation shall first set aside a legal capital reserve at 10% of the earnings left over, until the accumulated legal capital reserve equals the total capital of the Corporation; then set aside a special capital reserve in accordance with relevant laws or regulations, and the balance shall first be allocated to the dividend of preferred shares. Among the balance left over, 2 to 4% shall be allocated to the compensation of Directors and Supervisors. The Board of Directors shall prepare the proposal concerning the aforementioned dividend allocation ratio and percentage of cash dividend depending on the actual profit and financial condition of the Company and submit the same to the shareholders' meeting for resolution. The compensation shall be based on the degree of Directors and Supervisors participating in the operation and the value of their contribution, as well as referring to the normal standards in the same industry and be determined by the Board of Directors following the review of the Remuneration Committee. The amount shall not exceed the limit stipulated in the articles of incorporation.

- (2) The regulations governing compensation paid to the President and Vice Presidents of the Company:

The compensation paid to the President and Vice Presidents shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution. In addition to referring to the standards in the same industry, the Remuneration Committee will fully consider their professional competence and operational performance and the financial conditions of the Company. The appraisal shall be based on the regular performance score and the achievement of the key performance index, while future risks shall also be fully considered.

(3) Remuneration paid to top five officers

Unit: thousand; thousand shares

Title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonus and Allowances (C)(Note 3)		Employee Profit Sharing Bonus (D)(Note 4)			(A+B+C+D) as a % of Net Income after Tax (Note 9)		Compensati on Received from Non-consoli dated Affiliates (Note 10)
		From Ritek	From All Consoli dated Entities (Note5)	From Ritek	From All Consoli dated Entities (Note5)	From Ritek	From All Consoli dated Entities (Note5)	From Ritek	From All Consoli dated Entities (Note5)	From Ritek	From All Consoli dated Entities (Note5)	From All Consoli dated Entities (Note5)	
Chairman & CEO	Yeh, Chwei-Jing	3,907	24,731	262	262	100	360						None
Deputy CEO	Yang, Wei-Feng	5,383	10,281	68	188	100	360						None
President	Luo, Chin-Zhong	2,287	2,787	108	108	-							None
President	Chang, Shao-Xi	2,246	2,246	108	108								None
Vice President	Shih, Gu-Fu	1,868	1,868	103	103								None

Note 1 : The so called “top five officers with highest remuneration” refer to the company’s manager. The criteria of managers is based on the scope of “manager” as stipulated in letter Tai-Tsai-Cheng III No. 092001301 issued by former Securities and Future Bureau of MOF on March 27, 2003. As to the criteria of calculating “top five remuneration” is based on the total of salary, severance pay and pension, bonus and allowance and employee profit sharing bonus (i.e. sum of A+B+C+D) received by the managers of the company in order. If the director serves also as preceding officer, both this table and table (1-1) above shall be filled.

Note 2 : The salary, job allowance, and severance pay of top five officers with highest remunerations in latest year.

Note 3 : All kinds of bonus, rewards, travelling allowance, special allowance, various allowances, provision of dormitory, company car such objects in kind and other compensation amount. For providing house, car and other transportation tools or dedicated personal expenditure, the nature and

costs of assets provided, actual rent or rent calculated by fair market value, gasoline expense and other payments shall be disclosed. Where there is driver provided, please explain the compensation paid to the driver but it is excluded from the compensation. Meanwhile, the salary recognized according to IFRS "stock-based compensation" shall include stock option, restricted stock awards and subscription of shares of capital increment by cash.

Note 4 : The employee compensation (including stocks and cash) distributed to top five officers with highest compensation as approved by the Board in latest year. If it cannot be estimated, then calculate the proposed distribution amount based on percentage actually distributed in last year and attached table 1-3 shall be filled otherwise.

Note 5: Disclose total amount of various compensation paid by all companies (including this company) within the consolidated report to top five officers with highest compensation.

Note 6 : The net income after tax refers to the net income after tax in latest individual or separate financial report

Note 7 : a. This column should specify the amount compensation received by top five officers with highest compensation from non-consolidated affiliates or parent company (if not applicable, please fill "none")

b. The compensation refers to the remuneration, compensation (including employee, director and supervisor's compensation) and business execution fee received by top five officers with highest compensation as being the directors, supervisors or managers of non-consolidated affiliates or parent company.

* The compensation disclosed herein is different from income as stipulated in the Income Tax Act. Therefore, the purpose of this table is for information disclosure only instead for the taxation purpose.

4. Corporation governance

(1) Operation of the Board of Directors:

The Chairman of the Board of Directors convened seven regular meetings in the past year. The Directors and Independent Directors' attendance status is as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】 (Note 2)	Note
Chairman	Yeh, Chwei-Jing	6	0	100%	Reappointment after election in 2020
Director	Yang, Wei-Feng	6	0	100%	Reappointment after election in 2020
Director	Chiang, Wei-Feng	6	0	100%	Reappointment after election in 2020
Director	Chung Kai Investment co., Ltd.: Pan, Yan-Ming	6	0	100%	Reappointment after election in 2020
Independent Director	Chen, Jun-Chao	6	0	100%	Reappointment after election in 2020
Independent Director	Hsin, Chih-Hsiu	6	0	100%	Reappointment after election in 2020
Independent Director	Chang, Tso-Hsia	4	0	100%	Newly appointed after election in 2020; 4 meetings to be attended
Independent Director	Lin, Zu-Chia	2	0	100%	Discharged after election in 2020; 2 meetings to be attended

1. The opinions of Independent Directors managed by the Company:

(1) Matters set forth in Article 14-3 of the Securities Exchange Act

(2) In addition to the preceding matters, other dissenting resolutions or qualified opinions by

Independent Directors with records or written statements: see Table 1 below.

2. The date, session, content of proposal, reason for recusal, and voting status: no proposal of any of the board meetings was a conflict of interest that required recusal in 2018.
3. Measures taken to strengthen the functionality of the Board (e.g., establishment of the Audit Committee, information transparency enhancement) and implementation status:
 - (1) The Company established the Audit Committee to replace the functions of Supervisors on June 13, 2017. The Committee consists of three Independent Directors, and a meeting was convened at least once every quarter. Please refer to page 23-24 of this annual report for the functions exercised in accordance with the Securities Exchange Act, the Company Act, and other laws and the status of Audit Committee operations.
 - (2) The third session of the Remuneration Committee of the Company was immediately discharged after reelection in the shareholders' meeting on June 17, 2020. The fourth session of the Remuneration Committee was established upon resolution of the Board meeting on August 10, 2017. All Directors attending the meeting unanimously agreed to appoint Independent Director Lin, Zu-Chia, Independent Director Hsin, Chih-Hsiu, and Independent Director Chen, Jun-Chao as members of the Committee. The members of the Remuneration Committee recommended Independent Director Chen, Jun-Chao as the convener and chairman of the Remuneration Committee in the meeting dated August 10, 2020. Please refer to page 38-40 for the status of Remuneration Committee operations.

Table 1

Meeting Dates	Resolutions and Subsequent Management	Resolutions Related to the Securities and Exchange Act §14-3	Any Independent Director with Dissenting or Qualified Opinions
2020.03.27 11 th meeting, 12 th session	(1) Approved the impairment loss of the assets of the Company	V	None
	(2) Reviewed 2019 business report and financial statements	V	None
	(3) Approved statement of 2019 internal control system	V	None
	(4) Approved the endorsement limit of the Company to subsidiaries.	V	None
	(5) Approved the independence of external auditor	V	None
	Opinions of the Independent Director: None The management of the Company toward opinions of the Independent Director: None Resolved: agreed unanimously by all Directors attending the meeting		
2020.05.07 12 th meeting, 12 th session	(1) Approved 2020 Q1 financial statements	V	None
	(3) Approved the proposal of 2019 loss recovering	V	None
	(4) Approved the capital reduction for loss covering	V	None
	(4) Approved the endorsement limit of the Company to subsidiaries.	V	None

	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2021.08.07 2nd meeting, 13th session	(1) Approved the financial reports of the Company for 2020 Q1	V	None
	(2) Approved the proposal of 2019 loss recovering	V	None
	(3) Approved the capital reduction for loss covering	V	None
	(4) Approved the endorsement limit of the Company to subsidiaries.	V	None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2020.11.13 2nd meeting, 13th session	(1) Approved the proposal of 2021 internal audit plan	V	None
	(2) Approved the amendments to partial documents of internal control system	V	None
	(3) Reviewed the quarterly financial reports of the Company for 2019 Q3	V	None
	(4) Approved the indirect participation of capital increment by cash of Ritek Vietnam Company (RVC) via third party Score High Gropu BVI	V	None
	(5) Approved the fund lending limit of the Company to subsidiaries	V	None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2020.12.25 2nd special meeting, 13th session	(1) Approved the 2021 work plan of Remuneration Committee of the Company	V	None
	(2) Approved the business plan of the Company	V	None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		

(2) The implementation of BOD assessment:

Assessment Cycle	Assessment Period	Scope	Method	Content
Once every year	2020/1/1-2020/12/31	Members of Board	Self-assessment	Note

Note: the Board of the Company passed “Regulations for Board Performance Assessment” on 2019/12/27. The summary of performance assessment for 2020 Q1 was reported to the Board on 2021/3/26. The relevant assessment items are as follows:

1. Assessment items of Board performance: the participation of company operation, decision quality of the Board, the Board organization and structure, the election and continuous study of directors, internal control
2. Assessment items of individual directors: the control of company goals and missions, knowledge to functions of directors, participation of company operation, internal relationship management and communication, the professional and continuous study of directors, internal control

(2) Audit Committee Meeting Status:

Five regular meetings of the Audit Committee were convened in recent year. The Independent Directors' attendance status is shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance in person (%) 【 B/A 】 (note)	Note
Independent Director	Chen, Jun-Chao	6	0	100%	Reappointment after election in 2020
Independent Director	Hsin, Chih-Hsiu	6	0	100%	
Independent Director	Chang, Tso-Hsia	4	0	100%	Newly appointed after election in 2020; 4 meetings to be attended
Independent Director	Lin, Zu-Chia	2	0	100%	Discharged after election in 2020; 2 meetings to be attended

1. Other matters of the Audit Committee to be recorded:

In the case of any of the following circumstances, the date, session, content of motion, resolutions of the Audit Committee, and management of the Company toward opinions of the Audit Committee shall be recorded:

- (1) Resolutions related to the Securities and Exchange Act §14-5: All the following motions were unanimously approved by all Independent Directors.

Meeting Date/Session	Important Resolutions	Resolution and Suggestions of Audit Committee and
2020.03.27 11 th meeting, 1 st session	(1) The proposal regarding impairment loss of assets of the Company (2) The proposal regarding 2019 business report and financial statements (3) The statement of 2019 internal control system (4) Matters regarding the endorsement limit of the Company to subsidiaries (5) The assessment for the independence of auditor appointed by the Company	Approved unanimously by all members attending the meeting
2020.05.07 12 th meeting, 1 st session	(1) Propose the financial reports of the Company for 2020 Q1 (2) The proposal of 2019 loss covering (3) The proposal of capital reduction for loss covering (4) Matters regarding the endorsement limit of the Company to subsidiaries	Approved unanimously by all members attending the meeting
2020.08.07 1 st meeting, 2 nd session	(1) Amendments to partial documents of internal control system (2) Propose the financial reports of the Company for 2020 Q2	Approved unanimously by all members attending the meeting

	(3) Matters regarding the endorsement limit of the Company to subsidiaries (4) The capital increment of subsidiary Ritek Vietnam Co., Ltd., in Vietnam	
2020.11.13 2 nd meeting, 2 nd session	(1) Establish 2021 internal audit plan (2) Revise partial documents of internal control system (3) Propose the financial reports of the Company for 2020 Q3 (4) Propose the indirect participation of capital increment by cash of Ritek Vietnam Company (RVC) via third party Score High Gropu BVI (5) Matters regarding the fund lending to subsidiaries of the Company	Approved unanimously by all members attending the meeting
2020.12.25 2 nd special meeting, 2 nd session	(1) The business plan of the Company	Approved unanimously by all members attending the meeting

(2) Except for matters in paragraph (1), other matters were not approved by the Audit Committee. The resolutions approved by concurrence of two-thirds of Directors: none

2. Regarding the recusal of proposals in the case of conflicts of interest, the name, content of proposal, reason for recusal, and voting status: none

3. Communications between the independent directors, internal audit officer, and independent auditors in 2018 (e.g., matters, methods, and results of communications aimed at the Company's financial and business conditions)

(1) The independent directors need to contact internal audit officer via email, call or meeting any time. For material abnormality, the meeting may be convened anytime. The communication channel to each other is diversified and smooth. The internal audit officer of the company delivers the audit report or follow-up report to independent directors for review every month. The independent directors may response or provide opinions as necessary. There was no material abnormality occurred in 2020, and the independent directors did not have adverse opinions. There were total 4 communications this year and the historical communications are abstracted as follows:

Meeting Date/Session	Nature and Content of Communication	Suggestions of Independent Directors
2020.03.27 11 th meeting, 1 st session	<ul style="list-style-type: none"> • The implementation of internal audit works • Discussion of 2019 statement of internal control system 	No opinion and suggestion provided by independent directors
2020.05.07 12 th meeting, 1 st session	<ul style="list-style-type: none"> • The implementation of internal audit works 	No opinion and suggestion provided by independent directors
2020.08.07 1 st meeting, 2 nd session	<ul style="list-style-type: none"> • The implementation of internal audit works 	No opinion and suggestion provided by independent directors
2020.11.13 2 nd meeting, 2 nd session	<ul style="list-style-type: none"> • The implementation of internal audit works • Discussion of 2021 audit plan • Amendments to partial documents of internal control system 	No opinion and suggestion provided by independent directors

(2) In addition to reporting the audit or review of financial statements to independent directors, the CPA would organize legal propaganda at least once every year to update financial and taxation laws and responding actions to relevant effects. The independent directors would communicate with each other via email, call or meeting as necessary. The communication between independent directors and CPA is very good. The historical communications in 2020 are abstracted as follows:

Meeting Date/Session	Nature and Content of Communication	Suggestions of
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		Independent Directors
2020.03.27 11 th meeting, 1 st session	<ul style="list-style-type: none"> ● Explain the findings in the audit of 2019 consolidated and individual financial reports and communicate with key audit matters ● The discussion for the appraisal of external ● Response and discussion aiming at the questions proposed by attendees 	CPA observed the Audit Committee and communicated and answered the questions of members

(3) Corporate Governance Implementation and the Differences with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
1. Does the Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?	V		The Company has established “Corporate Governance Best Practice Principles”, please refers to MOPS and our website: http://www.ritex.com.tw	None
2. Shareholding Structure & Shareholders’ Rights	V		(1) The Company has a website and spokesperson, deputy spokesperson, and stock affairs and legal affairs departments to handle the suggestions, concerns, disputes, and complaints of shareholders.	None
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes, and litigation matters? If yes, have these procedures been implemented accordingly?	V		(2) The Company files the change of shares held by insiders, including Directors, Supervisors, managers, and shareholders holding 10% of shares or above on MOPS every month pursuant to laws.	None
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(3) The Company has established written regulations governing affiliates with business relationships pursuant to regulations of competent authorities and has a dedicated department to supervise relevant matters to ensure the compliance of their financial matters and businesses with the internal control system.	None
(3) Has the Company built and executed a risk management system and firewall between the Company and its affiliates?	V		(4) In addition to following regulations of the Securities and Exchange Act, the Company also has established internal rules prohibiting insider trading on undisclosed information, the “code of conduct” and “ethical corporate management best practice procedures and guidance of acts” to prohibit insiders from trading securities of the company by using undisclosed information.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V			

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</p>	V		(1) The Company manages the composition of its board in accordance with the diversification policy of the “Corporate Governance Practice Principles”, and all directors have different backgrounds, genders, and work experience to strengthen the structure of the Board of Directors. There were seven directors in previous session of Board. Among them, two were females, accounting for 28.57%. The proposed diversification policy of the Board members is disclosed on the website of the Company. Please refer to (note 1) for the fulfillment of diversification of individual board members	None
	V		(2) The Company has established the Remuneration Committee and the Audit Committee and plans to set up other functional committees depending on future operation conditions to reinforce the supervision of the Board of Directors.	None
<p>(2) Other than the Remuneration Committee, which is required by law, does the Company plan to set up other Board committees?</p>	V		(3) The Board of Directors approved the Regulations for Evaluating the Performance of Board of Directors. It is expected to conduct self (or peer) evaluation pursuant to the regulations in 2020 to reinforce the Board operation efficiency and enhance the degree of corporate governance	None
<p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors’ remuneration and renewal?</p>	V		(4) The Company evaluates the independence of its external auditors at least once every year, and they were approved on March 27, 2020 in the recent year (Note 1).	None
<p>(4) Does the Company regularly evaluate the independence of its external auditors?</p>	V			
4. Does the Company appoint	V		To carry out corporate governance and urge	None

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?			the Board of Directors to develop its functions and protect the rights of investors, the Board of Directors appointed director of finance and accounting Shih, Gu-Fu as the corporate governance officer on May 10, 2019 upon the resolution. It is highest officer of handling corporate governance matters. There are also dedicated personnel to be in charge of corporate governance affairs, including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	V		(1) The Company has appointed investor relation, stock affairs such departments to communicate with stakeholders as the case may be, and provided email of spokesperson and deputy spokesperson as well as created a Stakeholders Section on our website (http://www.ritex.com.tw) for all stakeholders to report, complaint and propose concern issues. The means of communication are smooth. (2) The Company has internal employee communication channel which the employees may reflect their opinions via email or writing.	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed Taishin International Commercial Bank as its registrar for Shareholders' Meetings.	None
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status? (2) Does the Company use any other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and	V V		(1) The Company has established Chinese and English websites at http://www.ritex.com.tw to disclose information related to financial, business, stock affairs, and corporate governance. All information is disclosed on MOPS pursuant to laws, and the link to MOPS is available on our website. (2) The Company has established English website and appointed dedicated person	None None

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
disclosure, appointing spokespersons, webcasting investors' conferences, etc.)? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			to be in charge of regular and irregular various financial and business information on MOPS. In addition, the Company has established "Procedures for Handling Internal Material Information" to create good mechanism for handling internal material information, fulfilling spokesperson system. The investor relation and stock affairs units are responsible for the collection and disclosure of information. (3) the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month by the prescribed deadline	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) Regarding employee rights and employee wellness: the Company values employee rights and employee wellness through the convention of labor-management conference, establishes sexual harassment prevention measures and punishment regulations, gender equality working environment. There are employee welfare committee, pension fund system, group insurance and periodical health examination as well as complete educational training system, restaurant providing complete welfares in term of work and life. (2) Investor relation, supplier relation, rights of stakeholders: the Company treats shareholders in principle of fairness and publication. There is complete spokesperson system established to provide complete means of communication with shareholders and manage material information announcement and routine announcement pursuant to regulations. The Company is closely related with important suppliers. There is supplier appraisal management system established to keep good supply chain	None None None None None None

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
			<p>relationship and timely supply of important materials without shortage. There are many channels set to communicate with stakeholders to maintain legal rights of both parties.</p> <p>(3) Director’s training status: the 2020 directors’ training records are as Note 3</p> <p>(4) The implementation of risk management policies and risk evaluation measures: the Company has established various bylaws to manage and evaluate different risks. For risk management policies and structure, risk items analysis and evaluation, please refer to page 296-297 “VII. Financial condition and performance review and risk items 6. Risk items analysis and evaluation” on our 2020 annual report.</p> <p>(5) The implementation of customer relations policies: the Company keep good communication channels with customers to seize the demands of customers and follow the payment condition periodically as to control the credit risk of customers as creating the profit.</p> <p>(6) The purchasing insurances for directors and supervisors: the Company purchased liability insurance with amount US3 million for directors, independent directors, supervisors and important managers and the highlights of insurance had been reported to the Board of Directors on March 27, 2020. The relevant information has been published on MOPS.</p>	None
<p>9. The improvement status for the Corporate Governance Evaluation results announced by the Taiwan Stock Exchange</p> <p>(1) The Company has reinforced the information disclosure on our webpage and annual report to increase the transparency of information as satisfactory to the corporate governance best practice principles.</p> <p>(2) The Company has specified that the composition of board members shall be diversified in accordance with the “Rules of Corporate Governance Practice”, and the fulfillment status is disclosed on the website of the Company and annual report</p>				

Note 1: Fulfillment of individual directors diversification

Item Name of Director	Basic Composition						Proficiency								
	Nationality	Gender	If he/she is also the employee	Age		Dependent Director 3-9 years	Independent Director Above 9 years	Operational judgment	Financial Analysis and Accounting	Operational Management	Management Crisis Knowledge	Industrial Relationship	International Market	Leadership	Decision Making Ability
				50 — 59	60 — 69										
Chairman: Yeh, Chwei-Jing	R.O.C.	Male	Y		V			V		V	V	V	V	V	V
Director: Yang, Wei-Feng	R.O.C.	Female	Y	V				V	V	V	V	V	V	V	V
Director: Chiang, Wei-Feng	R.O.C.	Male	N	V				V	V	V	V	V	V	V	V
Director: Pan, Yan-Ming	R.O.C.	Male	Y	V				V	V	V	V	V	V	V	V
Independent Director: Chen, Jun-Chao	R.O.C.	Male	N	V		V		V	V	V	V	V	V	V	V
Independent Director: Hsin, Chih-Hsiu	R.O.C.	Female	N		V	V		V	V	V	V	V	V	V	V
Independent Director: Chang, Tso-Hsia	R.O.C.	Male	N	V		V		V		V	V	V	V	V	V

Note 2: Evaluation of the independence of external auditors:

Item	Evaluation Results	Independence Criteria
1. Does the auditor have a direct or materially indirect financial interest in the Company?	No	Yes
2. Does the auditor have financing or guarantee with the Company or the Company's Directors?	No	Yes
3. Has the auditor or members of the audit team served as Director, manager, or a post with important influence on audits in the past two years?	No	Yes
4. Has the auditor or members of the audit team served as Director, manager, or a post with important influence on audits in the past two years?	No	Yes
5. Does the auditor have services items that may directly affect the audit works?	No	Yes
6. Is the auditor an intermediary agent of stocks or other securities issued by the Company?	No	Yes
7. Has the auditor served as a defender to resolve conflict with a third party on behalf of the Company?	No	Yes
8. Is the auditor a relative of a Director or manager of the Company or of a person with important influence on the audit case?	No	Yes

9. Has the auditor received a gift or present with high value from a Director, Supervisor, or manager of the Company?	No	Yes
10. Does the auditor have a contingent audit fee in relation to the audit case?	No	Yes

Note 3: study of directors in 2020

Title	Name	Date	Host by	Course	Duration
Director	Yeh, Chwei-Jingg	2020/09/08	Securities and Futures Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
Director	Yang, Wei-Feng	2020/09/08	Securities and Future Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
Director	Chiang, Wei-Feng	2020/09/08	Securities and Future Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
Director	Pan, Yan-Ming	2020/09/08	Securities and Future Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
Independent Director	Hsin, Chih-Hsiu	2020/09/08	Securities and Future Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
Independent Director	Chen, Jun-Chao	2020/09/08	Securities and Future Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
Independent Director	Chang, Tso-Hsia	2020/09/08	Securities and Future Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by the enterprises- centered on legal practices	3
		2020/09/21	Taiwan Stock Exchange	The summit of “Corporate Governance 3.0-blueprint of sustainable development” of listed companies	3
2020/10/23	2020 Corporate Governance and Business Integrity Propaganda for Directors and Supervisors	3			

accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent);

- (7) The chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are not the same person or are not spouses: a director (or governor), supervisor, or employee of that other company or institution (however, it will be exception if independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (however, it will be exception if the specified company or institution holds more than 20% and less than 50% shares issued by the Company and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law;

2. Information regarding the operation of the Remuneration Committee:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance in Person (%) (B/A)	Note
Convener	Chen, Jun-Chao	3	0	100%	Reappointment after election in 2020
Member	Hsin, Chih-Hsiu	3	0	100%	Reappointment after election in 2020
Member	Chang, Tso-Hsia	2	0	100%	Newly appointed after election in 2020; 2 meetings to be attended
Member	Lin, Zu-Chia	1	0	100%	Discharged after election in 2020; 1 meetings to be attended
Other matters to be recorded:					
1. If the Board of Directors dissents or revises the suggestions of the Remuneration Committee, the date, session, content of motion, results of Board meetings, and the handling of the Company of the Remuneration Committee's opinions: N/A					
2. If members present objection or qualified opinions aimed at the resolutions of the Remuneration Committee with recorded or written statements, the date, session, content of motion, results of Board meetings, and the handling of the Company of the					

Remuneration Committee's opinions: please refer to table below

Committee were held in the most recent year (2020), and the qualification and attendance of members are as follows:

3. The meeting dates, session, content of proposal, resolution and handling of opinions of remuneration committee:

Meeting of Remuneration Committee	Content of Proposal and Subsequent Management	Resolution	The Handling of Company to opinions of Remuneration Committee
2 nd meeting of 4 th session on 2020.05.07	2020 compensation to directors, president and vice president of the Company	Approved unanimously by all members attending the meeting	The proposal is submitted to the Board for discussion and approved
1 st meeting of 5 th session on 2020.08.17	Discuss the promotion of director to vice president and the change of remuneration	Approved unanimously by all members attending the meeting	The proposal is submitted to the Board for discussion and approved
2 nd meeting of 5 th session on 2020.11.13	Discuss the 2021 work plan of remuneration committee	Approved unanimously by all members attending the meeting	The proposal is submitted to the Board for discussion and approved

(5) The social responsibilities implementation status

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
1. Has the Company conduct risks evaluation for operation related environmental, social and corporate governance in materiality principle and established relevant risk management policies or strategies?	V	V	The Company has integrated the risks of environmental, social and company issues in related with operation in our operational strategies, including company policies, internal operational management and business execution etc.	None
2. Has the Company established a unit dedicated to (tasked with) promoting corporate social responsibilities and has the Board of Director authorized an executive to manage and report the handling situation to the Board of Directors?			2. The Office of the CEO and finance department are units dedicated to promoting and reporting handling situations to the Chairman.	None
2. Environmental issues (1) Does the Company	V		(1) The Company has acquired the	None

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
<p>establish environmental management system as appropriate for its industrial features?</p> <p>(2) Is the Company devoted to enhancing the efficiency of using different resources and recycled materials with a minimum impact on environmental burden?</p> <p>(3) Has the Company established an environmental management system appropriate to its industrial features?</p>	V		<p>certification of environmental management system ISO14001. All wastes recycling, handling and use are managed in accordance with environmental management system and environmental laws and regulations. Meanwhile, the implementation results are reviewed anytime for continuous improvement.</p> <p>(2) The Company is devoted to enhancing the efficiency of using different resources to reduce the volume of materials and waste, as well as to reduce environmental pollution.</p>	None
<p>(4) Has the Company calculated the greenhouse gas emission, water consumption and total weight of wastes in past two years and established energy saving and carbon reduction, water saving or other waste management policies?</p>	V		<p>(3) In addition to the promotion of environmental protection related laws, the Company is also committed to continuously provide and maintain legal compliance and an environmental, safe, and healthy work environment under ISO 14001 environmental management and OHSAS18000 occupational safety and health management is the Company expects to become a sustainable international green corporation.</p> <p>(4) The Company mainly consumes electricity for its operations. To reduce its power consumption, the Company has especially installed energy saving related measures: compact fluorescent bulbs and control devices on FAB air conditioning equipment to ensure that they are the most power saving systems. Furthermore, equipment maintenance plans are established to reduce power consumption. The wastes created by the Company are volatile organics, and waste treatment is conducted before emission. An inspection company approved by the EPA also performs an inspection every year, and all the</p>	None

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
			exhaust gas values are satisfactory to the statutory standards, with an extremely low impact on the air and earth.	
3. Public welfare maintenance				
(1) Has the Company established relevant management policies and procedures based on relevant laws, regulations, and international conventions on human rights?	V		(1) The Company follows all regulations of the Labor Standard Act to ensure the rights of employees. Regarding communication for labor disputes, two-way communication and coordination is adopted to protect the rights of employees. The Company pays attention to the working environment and safety of its employees.	None
(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		(2) The Company establishes various salary and welfare measures in accordance with “Labor Standard Act” and relevant laws to ensure the rights of employees and communication with employees for labor-management issues.	None
(3) Does the Company provide a safe and healthy work environment to its employees and periodically implement safety and health education to employees?	V		(3) The Company manages in accordance with the Labor Standards Act. Furthermore, the Company irregularly implements safety and health education and periodically conducts employee physical check-ups to understand the health conditions of its employees.	None
(4) Has the Company established an effective career competence training program?	V		(4) The Company periodically convenes labor management meetings and irregularly holds communication meetings explaining operational conditions to keep good communication with employees and ensure the rights of employees.	None
(5) Does the Company’s product and service comply with related regulations and international rules for customers’ health and safety, privacy, sales, labeling and set polices to protect consumers’ rights and consumer appeal	V		(5) The Company has definite consumer right policies and consumer complaint procedures. All customer complaints are managed and traced case by case. All departments and HR arrange educational training based on the expertise and physical and mental	None

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
<p>procedures?</p> <p>(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>			<p>conditions of employees and encourage employees to seek continuous study.</p> <p>(6) Assessment and review are conducted in accordance with the “Regulations Governing Suppliers”. For disqualification, the Company will request improvement by a deadline and cancel the qualification of the supplier if it fails reexamination to achieve the joint goal of promoting corporate social responsibilities by the Company and supplier together.</p>	
<p>5. Information disclosure</p> <p>Does the Company disclose important and reliable corporate social responsibility related information on its website, MOPS, etc.?</p>	V		<p>The Company has published a “2020 Corporate Social Responsibility Report” as referring to the general international standards of preparing report in 2020, and acquired 3rd certification party verification or statement of assurance, and discloses this on the Company’s website</p>	None
<p>6. If the Company has established corporate social responsibility practice principles in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please explain the differences between the operation and principles: The Company has not yet established corporate social responsibility practice principles. However, the promotion of corporate governance, sustainable environment development, social welfare maintenance, and reinforcement of information disclosure comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.</p>				
<p>7. Other important information to facilitate the understating of corporate social responsibility operations:</p> <p>(1) The Company’s employee recruitment and employment will not be influenced by gender, race, or nationality. We spare no effort to protect the rights of our employees. All employees are included in labor and national health insurances. The Company appropriates a pension fund reserve pursuant to laws and provides employees with a good work environment.</p> <p>(2) The Company follows environmental protection regulations and acquires the necessary permits to ensure compliance with governmental laws and reduce the impact on the environment. We are also working toward the goal of zero pollution.</p> <p>(3) Regarding community participation, the Company is integrated with community life via such actions as long-term community park adoption, through which dedicated individuals provide communities with comfortable and clean public spaces by cleaning, greening, and beautifying their open areas.</p> <p>(4) As for social contribution, the Company periodically holds blood donation drives to inspire a social atmosphere and take in earnest its social responsibilities.</p> <p>(5) Aiming at social services and public welfare, the Company encourages employees to care for minority groups and participate in cultural education. The RITEK Cultural Foundation was</p>				

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
<p>established to sponsor cultural heritage activities for remote schools.</p> <p>(6) As for supplier relationships, the Company has established “qualified supplier management procedures” and relevant regulations. In addition to asking suppliers for close cooperation, the Company also periodically assesses suppliers to ensure on-time delivery, high quality, and good interaction.</p> <p>(7) Regarding investor relations and rights of stakeholders, the Company keeps smooth communication channels at all times, expands the spokesperson mechanism, and persists in the principle of good faith to announce public information in a timely manner in order to maintain the relationship with investors and the rights of stakeholders.</p>				

(6) Corporate Conduct and Ethics Implementation and actions taken:

Assessment Item	Implementation Status			Non-implementation and its Reason
	Yes	No	Summary	
<p>1. Establishment of corporate conduct and ethics policy and implementation measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within scope of business, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically</p>	V	V	<p>(1) The Company has established the Code of Ethics and Business Conduct in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and actively fulfils its corporate conduct and ethics policy.</p> <p>(2) The Company’s “Ethics Code” has a relevant system and guidelines to prevent unethical conduct. The Company periodically promotes the importance of ethical conduct to new employees in orientation training and to employees. The “Qualified Supplier Management and Assessment Regulations” have been established to allow purchase flow be more transparent and prevent unethical conduct. The internal audit unit also includes an important routine audit. Where unethical conduct occurs, the “Employee Reward and Punishment Regulations” shall govern.</p> <p>(3) The Board of Directors had approved the “Procedures and Guidelines for Ethical Corporate Management” on 2018.12.18, which has been published on MOPS and our website. Meanwhile, the effective accounting system and internal control system have been established. The internal auditor would review and prevent unethical operational activities periodically.</p>	<p>None</p> <p>None</p> <p>None</p>

Assessment Item	Implementation Status			Non-implem-entation and its Reason
	Yes	No	Summary	
reviews and revises such policies?				
2. Ethic Management Practices				
(1) Does the Company assess the ethics records of companies with whom it has business relationship and include business conduct and ethics related clauses in its business contracts?	V		(6)The Company has established the “Qualified Supplier Management and Assessment Regulations”. When the contract is concluded, the rights and obligations of both parties shall be specified, and the provisions regarding illegal gain behavior are stipulated.	None
(2) Whether the company has set up a unit which is dedicated to promoting the company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		(7)The HR, audit office, and relevant units are responsible for related promotions based on their own duties and scopes. Relevant members are obligated to report directly to the Board of Directors.	None
(3) Has the company established policies to prevent conflicts of interest, provide appropriate communication and complaint channels, and properly implement such policies?	V		(8)The Company has an employee handbook and employee reward and punishment regulations to regulate employees and prohibit employees from sacrificing company rights in favor of personal interest. In addition to reporting directly to the supervisor, the employee may also directly report to the relevant unit.	None
(4) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems that are periodically audited by internal auditors or CPA?	V		(9)The Company has established effective accounting and internal control systems, and internal auditors periodically audit such operations. For special events, special audits will be arranged.	None
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(10) The Company promotes the importance of ethical conduct for new employees during orientation training and to all employees irregularly.	None
3. Implementation of reporting procedures				
(1) Has the Company established specific reporting and reward procedures, set up conveniently accessible reporting channels, and designated responsible individuals to handle the reports that are received?	V		(1) Where an event violating the code of conduct is found, it may be reported to the Audit Committee or legal affairs unit.	None
(2) Whether the company has established standard operation	V		(2) The President or his appointed executive officer will directly handle the report and carry out an investigation based on the “employee reward and punishment regulations”. The complainant will be kept	None

Assessment Item	Implementation Status			Non-implementation and its Reason
	Yes	No	Summary	
<p>procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p> <p>(3) Has the Company adopted proper measures to protect a complainant from improper retaliation?</p>	V		<p>from improper retaliation.</p> <p>(3) The Company will keep the complainant confidential to protect a complainant from being improperly punished.</p>	
<p>4. Information Disclosure</p> <p>Does the Company disclose its guidelines on business ethics, as well as information about the implementation of such guidelines on its website and MOPS?</p>	V		The Company has disclosed the “Code of Conduct” and information regarding business culture and operational guidelines on the Company’s website. Furthermore, a dedicated department handles the collection and release of all information.	None
<p>5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe any discrepancy between the policies and their implementation:</p> <p>The Company has established the Ethics Code as satisfactory to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”.</p>				
<p>6. Other important information to facilitate a better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy):</p> <p>The Company reviews the corporate code of conduct and discusses the revision of regulations based on the actual operation conditions and carries out integrity operation among employees, customers, suppliers, and shareholders. The Company persists in the principle of good faith to deal with customers and suppliers to enhance the effects of ethical operation.</p>				

(7)The Company has established the “code of conduct”, “ethical management principles” and “ethical corporate management best practice procedures and guidance of acts” such bylaws, which are available at our website (<http://www.ritek.com.tw>) or MOPS for the inquiry of shareholders.

(8) Other important information to facilitate a better understanding of the Company’s corporate governance:

1. Continuously implement the internal control system, carry out internal control self-assessment, reinforce the audit, and submit it to the Board of Directors to understand and pay further attention and supervision.
2. Provide a spokesperson system to present transparent information and disclose all material information to allow shareholders to obtain equal information.
3. Arrange the education/training of Directors to meet the spirit of corporate governance.
4. The training records of managers (president, vice president, accounting and finance, internal audit officers etc.) in 2020:

Title	Name	Date	Hosted by	Course	Training Hours
Accounting officer	Shih, Gu-Fu	2020/12/07-2020/12/08	Taiwan Accounting Research and Development	Continuing training for accounting officer of issuer, security firm, and securities exchange	12

			Foundation		
Deputy accounting manager	Wang, Wei-Li	2020/12/07-2020/12/08	Taiwan Accounting Research and Development Foundation	Continuing training for accounting officer of issuer, security firm, and securities exchange	12
Corporate Governance Officer	Shih, Gu-Fu	2020/09/08	Securities and Futures Institute	Advanced Seminar for the Practices of Directors, Supervisors (including independent) and Corporate Governance Officer 【Innovation, Digital Technology and Competition Advantages】	3
				The study of IT security governance faced by enterprises- centered on legal practices	3
		2020/10/22	Taiwan Stock Exchange	2020 Corporate Governance and Business Integrity Propaganda for Directors and Supervisors	3
		2020/11/25	Securities and Futures Institute	2020 TWSE and TPEx companies- seminars of recognizing hedge transactions and operation for future derivatives and solid sustainable operation practices (Hsinchu)	3
Audit officer	Chang, Su-Chin	2020/07/06	The Institute of Internal Auditors	The policy of improving ability of financial report preparation and keys of internal audit and internal control practices	6
				The legal risks of business management and keys of corresponding measures of internal auditors	6
Audit member	Chang, Hsiu-Zhu	2020/12/4-2020/12/8	The Institute of Internal Auditors	Pre-occupational training for initial term of internal auditor	18

(9) Internal Control System Execution Status

1. Statement of Internal Control System

RITEK Corporation
Statement of Internal Control System

Date: March 26, 2021

Based on the findings of self-assessment, the Company states the following with regard to its internal control system during 2020:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance of the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Furthermore, the effectiveness of an internal control system may be subject to change due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component covers certain items. Please refer to the "Regulations" for the preceding items.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned Regulations.
5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2020, it has maintained an effective internal control system in all material aspects (including the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws, and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 26, 2021, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

RITEK Corporation

Chairman: Yeh, Chwei-Jing

Signature

General Manager: Yeh, Chwei-Jing

Signature

2. If CPA Was Engaged to Conduct a Special Audit of the Internal Control System, Provide Its Audit Report: None.

(10) Regulatory authorities' legal penalties to the Company or its employees, and the Company's resulting punishment on its employees for violating internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in 2018 and as of the date this annual report was published: NONE

(11) Major resolutions of the shareholders' meeting and board meetings and as of the date this annual report was published:

1. Major resolutions of shareholders' meeting and implementation status

2020/6/17 Regular Shareholders' Meeting

Date	Major Resolution and Implementation Status
2019 Business Report and Financial Statements	The proposal was approved as submitted with 702,128,697 votes in favor (among them, 157,962,911 e-votes), 455,445 votes against (among them, 455,455 e-votes), 60,592,819 votes invalid and abstained (among them, 57,420,959 e-votes) among total 763,176,961 votes. The votes in favor accounted for 92.00% of total votes of attending shareholders and exceed the votes as stipulated by laws.
2019 proposal of loss covering	The proposal was approved as submitted with 704,068,184 votes in favor (among them, 59,902,398 e-votes), 543,597 votes against (among them, 543,597 e-votes), 58,565,180 votes invalid and abstained (among them, 55,393,320 e-votes) among total 763,176,961 votes. The votes in favor accounted for 92.25% of total votes of attending shareholders and exceed the votes as stipulated by laws.
Proposal of capital reduction for covering loss	The proposal was approved as submitted with 704,036,501 votes in favor (among them, 159,870,715 e-votes), 581,766 votes against (among them, 581,766 e-votes), 58,558,694 votes invalid and abstained (among them, 55,386,834 e-votes) among total 763,176,961 votes. The votes in favor accounted for 92.25% of total votes of attending shareholders and exceed the votes as stipulated by laws. After the proposal was approved by the Financial Supervisory Commission on 2020/1/71, the record date of capital reduction was on set 2020/8/10. After the recognition of change was registered with Ministry of Economic Affairs on 2020/8/20, the record of capital reduction and exchange of shares was on 2020/10/9. The new share after the capital reduction will be listed in the market on 2020/10/12 again.
Directors election	With votes of attending shareholders, Yeh, Chwei-Jing, Yang, Wei-Feng, Chiang, Wei-Feng, Representative of China Kay Investment Developing Co., Ltd.: Pan, Yan-Ming, Chen, Jun-Chao, Hsin, Chi-Show and Chang, Tso-Hsia were elected as directors. After the completion of directors, the special board meeting was convened on the same day, and Mr. Yeh, Chwei-Jing was elected as chairman of the Company. The recognition of change was registered with the Ministry of Economic Affairs on 2020/7/10

Release the restriction on non-compete duty of newly elected directors and their representatives	<p>The proposal was approved as submitted with 641,069,616 votes in favor (among them, 138,064,107 e-votes), 506,450 votes against (among them, 506,450 e-votes), 80,440,618 votes invalid and abstained (among them, 77,268,758 e-votes) among total 763,176,961 votes. The votes in favor accounted for 88.78% of total votes of attending shareholders and exceed the votes as stipulated by laws.</p> <p>After the proposal was approved, the directors of the Company may execute non-compete duties in condition without jeopardizing interests of the Company.</p>
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2. Major resolutions of Board meetings and implementation status:

Date/Session	Major Resolution	Implementation Status
2020.03.27 11 th meeting, 12 th session	<p>(1) Approved the impairment loss of the assets of the Company</p> <p>(2) Reviewed 2019 business report and financial statements</p> <p>(3) Approved statement of 2019 internal control system</p> <p>(4) Approved the endorsement limit of the Company to subsidiaries.</p> <p>(5) Approved the bank loan application of the Company</p> <p>(6) Approved the independence of external auditor</p> <p>(7) Approved the amendments to partial documents of “Rules for Board Meetings”</p> <p>(8) Approved the amendments to partial documents of “Audit Committee Charter”</p> <p>(9) Approved the amendments to partial documents of “Remuneration Committee Charter”</p> <p>(10) Approved the remaining period of private placement passed by 2019 shareholders’ meeting will be discontinued</p> <p>(11) Approved the election of directors of the Company</p> <p>(12) Approved the convention of 2020 shareholders’ meeting and reception of motions proposed by shareholders and nomination of directors and independent directors.</p> <p>(13) Approved the candidate list of nominated directors and independent directors</p> <p>(14) Approved the release of restriction on non-compete duty of newly elected directors and their representatives</p>	Approved unanimously by all Directors attending the meeting
2020.05.07 12 th meeting, 12 th session	<p>(1) Approved the financial reports of the Company for 2020 Q1</p> <p>(2) Approved the proposal of 2019 loss recovering</p> <p>(3) Approved the capital reduction for loss covering</p> <p>(4) Approved the application for “Taiwanese Companies Accelerated Investment Action Plan” of “Three Major Programs for Investment in Taiwan” implemented by the government</p> <p>(5) Approved the endorsement limit of the Company to subsidiaries</p> <p>(6) Approved the revision of 2020 shareholders’ meeting</p>	Approved unanimously by all Directors attending the meeting

	agenda	
2020.06.17 1 st special meeting, 13 th session	(1) Approved the recommendation of Chairmen of 13 th session of the Company	Approved unanimously by all Directors attending the meeting
2020.08.07 1 st meeting, 13 th session	(1) Approved the 2020 compensation to directors, president and vice president (2) Approved the selection of members of 5 th session of “Remuneration Committee” (3) Approved the amendments to partial documents of internal control system (4) Reviewed the quarterly financial reports of the Company for 2019 Q2 (5) Approved the bank loan application of the Company (6) Approved the endorsement limit of the Company to subsidiaries ° (7) Approved the participation of capital increment by cash of subsidiary Ritek Vietnam Company (RVC) (8) Approved the record date of capital reduction, record date of shares exchange for the capital reduction and shares exchange plan	Approved unanimously by all Directors attending the meeting
2020.11.13 2 nd meeting, 13 th session	(1) Approved the proposal of 2021 internal audit plan (2) Approved the amendments to partial documents of internal control system (3) Reviewed the quarterly financial reports of the Company for 2019 Q3 (4) Approved the bank loan application of the Company (5) Approved the indirect participation of capital increment by cash of Ritek Vietnam Company (RVC) via third party Score High Group BVI (6) Approved the fund lending limit of the Company to subsidiaries (7) Approved the change of compensation to vice president promoted from director of the Company	Approved unanimously by all Directors attending the meeting
2020.12.25 2 nd special meeting, 13 th session	(1) Approved the 2021 work plan of Remuneration Committee of the Company (2) Approved the business plan of the Company (3) Approved the bank loan application of the Company	Approved unanimously by all Directors attending the meeting

(12) Major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors and as of the date this annual report was published: none.

(13) As of the date this annual report was published, the summary of resignations of related persons (including Chairman, President, accounting officer, finance officer, internal audit officer, and R&D officer): none

5. CPA's Information

Accounting Firm	Name Of CPA		Audit Period	Note
Earnest & Yang	Hsu, Jung-Huang	Tu, Chia-Lin	2020	

(1) Scale of Audit Fee

Unit: NTD thousand

Scale \ Item		Audit Fee	Non-Audit Fee	Total
1	Below 2,000		•	•
2	Between 2,000 (included) ~4,000			
3	Between 4,000 (included) ~6,000	•		•
4	Between 6,000 (included) ~8,000			
5	Between 8,000 (included) ~10,000			
6	Over 10,000 (included)			

1. If the non-audit fee paid to the independent auditor, independent audit firm, and its affiliates reached one-fourth of the audit, the amount of the audit and non-audit fee, as well as the content of non-audit services, shall be disclosed:

unit: NT\$ thousands

Accounting Firm	NAME OF CPA	Audit Fee	Non-Audit Fee					Subtotal	Audit Period	Note
			System Design	Business Registration	Human Resources	Other (Note 2)				
Accounting Firm	HSU, JUNG-HUANG TU, CHIA-LIN	4,550				723	723	2020.1.1-2020.12.31		

Note 2: Non-audit fee includes audits for taxation, corporate social responsibilities and capital reduction

2. In case that the independent audit firm was replaced and the audit fee paid was less than the audit fee in the previous year, the amount of the audit fee before and after the change and the reasons: none
3. If the audit fee was decreased 10% or more compared to the previous year, the decreased amount, percentage, and reason shall be disclosed: none.

6. Change of CPA: None.

7. The name, title, and period of holding any position with the Company's Independent Audit Firm or its affiliates in the most recent year shall be disclosed. The affiliates of the Independent Audit Firm mention ED HEREIN REFERS TO AN ENTITY IN WHICH THE CPAS OF THE INDEPENDENT AUDIT FIRM HOLD THE MAJORITY SHARES OR MAJORITY POSTS OF THE DIRECTORS, OR THE AFFILIATES RELEASED OR PUBLISHED BY THE INDEPENDENT AUDIT FIRM IN ITS PUBLIC INFORMATION: NONE.

8. Net Change in Shareholding by Directors, Management, and Shareholders with 10% Shareholdings or More:

1. Information regarding the shares transfer of directors, supervisors, managers and shareholders holding 10% or more shares

Unit: Share

Name	Reasons for transfer of shares	Transaction Date	Transaction Counterparty	The relation between transaction counterparty and the Company, directors supervisors, managers and shareholders holding 10% or more shares	Shares	Transaction Price
Yeh, Chwei-Jing	Inheritance (succeed)	2020.08.13	Yeh, Jing-Tai	-	840,528	8.64

2. Directors, Management, and Shareholders with 10% Shareholdings or More

Title	Name	2020		As of April 20, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman & CEO	Yeh, Chwei-Jing	(7,739,381)	0	0	0
Director & Deputy CEO	Yang, Wei-Feng	(6,014,556)	0	0	0
Director	Chiang, We-Feng	0	0	0	0
Director	Chung Kai Investment co., Ltd.	(3,718,242)	0		
Director & Vice President	Pan, Yan-Ming	0	0	0	0
Independent Director	Chen, Jun-Chao	0	0	0	0
Independent Director	Hsin, Chih-Hsiu	(7,957)	0	0	0
Independent Director	Chang, Tso-Hsia	0	0	0	0
Independent Director	Lin, Zu-Chia (Date of dismissal: 2020.06.17)	0	0	N/A	N/A
President	Lo, Ching-Zhong	(5,384)	0	0	0
President	Chang, Shao-Dian	(286)	0	0	0
Vice President	Chen, Chi-Hung	0	0	0	0
Vice President	Lin, Ming-Shun	0	0	0	0
Vice President	Shih, Gu-Fu	0	0	0	0
Director	Chiang, Cheng-Hong	0	0	0	0

Note 1: If the opposing counterparty of pledged shares is a related party, fill in the pledge information: none

9. Related party relationship among 10 largest shareholders:

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Liao, Ying-Feng	12,655,000	1.82%	0	0.00%	0	0.00%	None	None	
Lin, Mu-Chuan	11,417,589	1.65%	0	0.00%	0	0.00%	None	None	
Yeh, Chwei-Jing	10,666,857	1.54%	7,653,142	1.10%	0	0.00%	Yang, Wei-Feng	Couple	-
American JP Morgan Chase Bank Taipei Branch entrusted with the custody advanced Stars fund company's funds advanced series aggregate International Equity Index Fund	8,822,489	1.27%	0	0.00%	0	0.00%	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	7,845,658	1.13%	0	0.00%	0	0.00%	None	None	
Yang, Wei-Feng	7,653,142	1.10%	10,666,857	1.54%	0	0.00%	None	None	
HSBC in custody for Investment Account of Pictet Asset Management	7,589,752	1.09%	0	0.00%	0	0.00%	None	None	
Charter Standard Bank in custody for Credit Suisse First Boston	5,391,000	0.78%	0	0.00%	0	0.00%	None	None	
CitiBank (Taiwan) in custody for DFA investment	5,288,593	0.76%	0	0.00%	0	0.00%	None	None	

on diversified group emerging market core securities portfolio									
CitiBank (Taiwan) entrusted with the custody for investor account of Dimension emerging market	4,965,449	0.72%	0	0.00%	0	0.00%	None	None	-

10. The ownership of the Company, Directors, Supervisors, manager and the entity held by the Company directly or indirectly toward the same investee and the total ownership percentage:

December 31, 2020 Unit: thousand shares %

Investee (note)	ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (2)		Total Ownership	
	Shares	%	Shares	%	Shares	%
FOXSEMICON INTEGRATED TECHNOLOGY INC.	47	0.00	140	0.17	187	0.17
Ritwin Corporation	700	70.00	0	0.00	700	70.00
CHILISIN ELECTRONICS CORP	0	0.00	26	0.01	26	0.01
JETBEST CORPORATION	0	0.00	14	0.04	14	0.04
Green Rich Technology Co., Ltd	0	0.00	27	0.27	27	0.27
Chang Hong Energy Co., Ltd.	0	0.00	500	0.41	500	0.41
Mutual-Tek Industries Co., Ltd.	0	0.00	101	0.14	101	0.14
Paiho Shih Holdings Corporation	0	0.00	1,841	0.50	1,841	0.50
FENG CHING METAL CORPORATION	0	0.00	14	0.03	14	0.03
Giantplus Technology Co., Ltd.	1,804	0.41	0	0.00	1,804	0.41
Sunplus Technology Co., Ltd.	2,904	0.49	0	0.00	2,904	0.49
JHEN JHUAN CO., LTD.	0	0.00	3,000	31.58	3,000	31.58
YAGEO CORPORATION	0	0.00	2	0.00	2	0.00
Cathay Taiwan Money Market Fund	0	0.00	8,029	0.00	8,029	0.00
Gigastorage Corporation	161	0.06	0	0.00	161	0.06
Chen Feng Optoelectronics	0	0.00	3,846	6.30	3,846	6.30
UPAMC Global AIoT Fund	0	0.00	733	0.00	733	0.00
KAIMEI ELECTRONIC CORP.	0	0.00	15	0.01	15	0.01
PlexBio, Co., Ltd.	269,031	85.87	33,332	10.63	302,363	96.50
Franklin Templeton SinoAm AI Hi-Tech Fund-USD	0	0.00	200	0.00	200	0.00
Fuh Hwa China New Economy Balance Fund	0	0.00	217	0.00	217	0.00
KINSUS INTERCONNECT TECHNOLOGY CORP.	0	0.00	29	0.01	29	0.01
WISECHIP SEMICONDUCTOR INC.	0	0.00	214	0.48	214	0.48
Cashido Technology Co., Ltd.	0	0.00	3,933	78.66	3,933	78.66

Investee (note)	ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (2)		Total Ownership	
HUA-CHIH Venture Capital	0	0.00	16	3.26	16	3.26
Hua Nan WE Multi-Asset Fund	200	0.00	0	0.00	200	0.00
COMPEQ MANUFACTURING CO., LTD.	54	0.00	237	0.02	291	0.02
O-Bank No.1 Real Estate Investment Trust	0	0.00	200	0.00	200	0.00
Shin Kong Financial Holding Co.,Ltd. Preferred Shares B	0	0.00	1,111	0.01	1,111	0.01
Hkssteel Technology corp.	0	0.00	1	0.00	1	0.00
Hsin Pao Asset Company	0	0.00	5,500	78.74	5,500	78.74
Capital Moderate Allocation Fund of Funds	150	0.00	0	0.00	150	0.00
Innolux Corporation Ltd.	1,201	0.01	0	0.00	1,201	0.01
WAN-TA Venture Capital	0	0.00	5,140	14.09	5,140	14.09
U-MING MARINE TRANSPOT CORP.	0	0.00	10	0.00	10	0.00
Luminit Automotive Technologies	0	0.00	1,350	31.03	1,350	31.03
WELLTECH ENERGY INC.	0	0.00	2,222	5.86	2,222	5.86

Note: except for the long-term investment listed in this table, the investment is held solely held by Company or the Company's subsidiaries

IV. Information on capital raising activities

1. Capital and shares

(1) Capitalization

Unit: thousand shares; thousand dollars

Year	Month	Issue Price	Authorized Capital		Paid-in Capital		Not		
			Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase	Other
2020.	08	10	3,400,000	34,000,000	693,680	6,936,797	Note 1	None	None

Note 1: Capital reduction of 590,478,237 shares for covering loss (Jing-Shan-Shou No. 10901160860 dated on August 20, 2020)

Type of stock	Authorized Capital			Note
	Outstanding Shares	Unissued shares	Total	
Common shares	693,679,663 Shares	2,706,320,337 Shares	3,400,000,000 Shares	-

Shelf registration system related information: N/A

(2) Composition of Shareholders

April 20, 2021

Type of Shareholders Quantity	Government Agencies	Financial Institution	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number	2	13	163	183	132,272	132,633
Shareholding	39	54,630	10,932,746	87,461,927	595,230,321	693,679,663
Holding Percentage	0.00%	0.01%	1.58%	12.61%	85.81%	100.00%

(3) Distribution Profile of Share Ownership

Par Value at Ten dollars April 20, 2021

Shareholder Ownership	Number of Shareholders	Shareholding	Holding %
1 to 999	77,708	24,480,073	3.53%
1,000 to 5,000	37,660	82,709,335	11.92%
5,001 to 10,000	8,200	58,002,546	8.36%
10,001 to 15,000	2,829	34,440,796	4.96%
15,001 to 20,000	1,673	29,712,660	4.28%
20,001 to 30,000	1,597	39,994,888	5.77%
30,001 to 40,000	713	24,902,645	3.59%

40,001 to 50,000	462	20,930,533	3.02%
50,001 to 100,000	981	68,401,447	9.86%
100,001 to 200,000	469	63,808,207	9.20%
200,001 to 400,000	225	62,158,668	8.96%
400,001 to 600,000	38	18,124,218	2.61%
600,001 to 800,000	27	18,794,639	2.71%
800,001 to 1,000,000	18	16,150,429	2.33%
Over 1,000,001	33	131,068,579	18.89%
Total	132,633	693,679,663	100.00%

Note: Preferred shares: none

(4) Major shareholders

April 20, 2021

Name of Major Shareholder	Share holding	Holding rate
Liao, Ying-Feng	12,655,000	1.82%
LIN, MU-CHUAN	11,417,589	1.65%
Yeh, Chwei-Jing	10,666,857	1.54%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY	8,822,489	1.27%
JPMorgan Chase Bank N.A., Taipei Branch in custody for	7,845,658	1.13%
Yang, Wei-Feng	7,653,142	1.10%
Pictet & Cie (Europe) S.A.	7,589,752	1.09%
Credit Suisse International	5,391,000	0.78%
EMERGING MARKETS CORE EQUITY PORTFOLIO OF DFA INVESTMENT DIMENSIONS GROUP INC.	5,288,593	0.76%
Dimensional Emerging Markets Value Fund	4,965,449	0.72%

(5)Market price, net worth, earnings, and dividends in last two years

Item		Year		
		2019	2020	As of March 31, 2021
Market Price Per Share	Highest	12.35	12.30	11.25
	Lowest	6.85	3.44	9.88
	Average	9.24	6.88	10.44
Net Worth Per Share	Before Distribution	5.46 dollar	8.68 dollar	8.73 dollar note(1)
	After Distribution	5.46 dollar	8.68 dollar	-
Earnings Per Share	Weighted Average Shares	1,284,158 thousand shares	693,679 thousand shares	693,679 thousand shares
	Earnings Per Share	(1.76) dollar	(1.29) dollar	(0.14) dollar note(1)
Dividend Per Share	Cash Dividend		-	-
	Stock Dividend	Stock Dividend by Earnings	-	-
		Stock Dividend by Capital Surplus	-	-
	Accumulated undistributed		-	-
Return on Investment	Price/Earnings Ratio (Note 1)		-	-
	Price/Dividend Ratio (Note 2)		-	-
	Cash Dividend Yield (Note 3)		-	-

Note 1: Price/Earnings Ratio: Average Market Price/ Diluted Earnings per Share

Note 2: Price/Dividend Ratio: Average Market Price/ Cash Dividend per Share

Note 3: Cash Dividend Yield: Cash Dividend per Share/Average Market Price

(6)Dividend Policy and Distribution of Earnings

1. Dividend policies:

The industrial environment where the Corporation is situated changes rapidly and it is under rapid growth phase of business life cycle. In consideration of future capital demand, long-term financial planning and earnings growth of the Corporate as well as to satisfy the demand of shareholders for cash inflow, except for rendering business income tax and recovering previous losses, when allocating the earnings for each fiscal year, the Corporation shall first set aside a legal capital reserve at 10% of the earnings left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations and the balance shall be allocated to dividend of preferred shares first. The balance left over plus undistributed earnings in previous years shall be allocated 50% to 100% as dividend to shareholders. Among them, the ratio of cash dividend shall be assessed in considering the earnings growth in the future to the extent not more than one half of capital budget. Preceding dividend appropriation ratio and cash dividend ratio may be adjusted upon the resolution of Shareholders' Meeting depending on actual profit and capital

conditions of the Corporation.

Where there is previously accumulated or current equity deduction due to deficit earnings after tax, the special capital reserve shall be set aside from previous accumulated undistributed earnings and deducted first before allocating to the dividend of shareholders.

2. Proposal to Distribution of Earnings: there is no distributable earnings as of year 2020, and therefore no dividend distribution is proposed.
3. Expected material change of dividend policies: none

(7)The impact of proposal of stock dividend to the Company's operational performance and earnings per share: N/A

(8)Compensation to Directors and Profit Sharing Bonus to Employees:

1. The percentage or scope of compensation to directors and profit sharing bonus to employees as stipulated in articles of incorporation:

Where there is profit of the annual final account, except for rendering business income tax and recovering previous losses, when allocating the earnings for each fiscal year, the Corporation shall first set aside a legal capital reserve at 10% of the earnings left over, and then set aside special capital reserve for the deduction amount of shareholders' equity occurred in current year. For balance left, the bonus to employees not less than 5% and the compensation to Directors and Supervisors not more than 4% shall be set aside.

2. The basis for estimated compensation to employees, directors and supervisors, the calculation basis for stock dividend as compensation to employees and the accounting handling for difference between actual amount distributed and the estimation: the Company had loss in 2020 and therefore without profit sharing bonus to employees and compensation to directors and supervisors.
3. Compensation distribution as approved by the Board of Directors:
The Board of Directors resolved not to distribute the dividend because there was no distributable earnings in 2020
4. 2018 Directors' Compensation and Employees' Profit Sharing Bonus (including shares distributed, amount and stock prices), the amount, reason and handling of difference from recognized compensation to employees, directors and supervisors: the Company had loss in 2020 and therefore without profit sharing bonus to employees and compensation to directors and supervisors.

(9)Buyback of common stock: none

2. Issuance of corporate bond: none

3. Preferred shares: none

4. Issuance of overseas depository receipts:

Issuance (management) Date		October 15, 1999	
Item			
Issuing Date		October 15, 199	
Issuing and Trading Place		Issued in Europe and America, and listed on Luxemburg	
Total Issue Amount		US\$ 326,150,000	
Unit Issue Price		US\$ 11.86	
Total units issued		27,500,000 unit	
Sources of securities		55,000,000 shares capital increment by cash	
Number of securities		55,000,000 shares	
Rights and obligations of oversea depositary receipt holders		Except for rights of voting, all remaining rights and obligations are equal to common shares	
Trustee		None	
Depositary agency		The Bank of New York Mellon	
Custody agency		The International Bank of China	
Unredeemed balance		294,938 units	
Sharing of issuance expenses and expenses in the duration		Mainly paid by the issuer	
Terms and Conditions in the Deposit Agreement and Custody Agreement		The depositary agency exercise the rights and obligations on behalf of depositary receipt holders The custody agency keeps the common shares represented by the depositary receipts	
Market price per unit	2020	Highest	US\$ 0.79
		Lowest	US\$ 0.45
		Average	US\$ 0.603
	As of March 31, 2021	Highest	US\$ 0.476
		Lowest	US\$ 0.226
		Average	US\$ 0.367

5. Status of Employee Stock Option Plan: none

6. Status of Employee Restricted Stock: none

7. Status of New Share Issuance in Connection with Mergers and Acquisitions: none

8. Financing Plans and Implementation: none

V. Overview of Operation

I. Business content

(1) Scope of business:

1. The Company mainly engages in optical products and other peripheral products.

2. Current product items and weights:

Item	2019	2020
Optical Products	89.67%	84.44%
Other	10.33%	15.56%

3. The major products of the Company are as follows:

Optical products: electronic storage media (memory card, SUB, Solid State Drive) etc.

Digital information products, disc and other peripheral products

4. New products to be developed in the future:

(1) Disc

Blu-ray single-sided dual layer BD-R, blue-ray single side dual layer BD-RE, organic blue-ray BD-R disc, Blu-ray single-sided three/four layer BD-R disc, Blu-ray double-sided six layer BD-R, 500GB and above archive disc

(2) Memory card

a. Flash memory card: high speed CF Card Express/1000X, high speed SD Card UHS-II Express/U1/U3/V10/V30, high speed microSD card UHS-I U1/U3/V10/V30/A1 and MLC Series microSD card.

b. USB: USB 2.0 / 3.0 USB Drive, mobile peripheral OTG 2.0 / 3.0 USB Drive, Lightning USB 3.0 Drive (for iPhone/iPod/iPad), Type C OTG USB Drive

c. iPhone/Smart Phone/tablet related applications, potable standby power, Bluetooth related products: Bluetooth smart bracelet/headset/speaker/loudspeaker box, OTG card reader

d. SSD Captain Series, 2.5" SATA III 6Gb/s 120GB / 240GB / 480GB / 960GB, mSATA SSD 8GB / 16GB /32GB /64GB, M.2 SSD(NGFF) 64GB/ 128GB /256GB, PCIE M.2 NVMe SSD External USB3.1 Gen 2 240GB/480GB

e. Computer game peripheral products: keyboard, headset, mouse, memory module, power supply

f. Computer peripheral products: card reader, copy machine, AOC Cable.

g. FLASH memory value added software: encryption of SD / CF memory

card, EZ Drive USB encryption

(2) Industry overview

1. Current industry conditions and development:

The major products of the Company are recording media and flash memory (USB, memory card) and SSD related products. In respect of recording CD, due to decreasing market demand year by year while rapid drop of supply at the same time, original supply exceeds demand condition is gradually reversed. Over years, it was difficult to improve the gross margin of CD and DVD products due to imbalance of supply and demand and price competition. However, following the improvement of supply and demand condition, the price is going up along with the trend of material shortage and raised price and therefore the overall disc products are also returned upward. It is hoped to help with the increase of product gross margin.

To the outlook of recoding disc products in the future, it will be focused on the B2B professional market as required by Archival filing. Ritek is also the only business other than Japanese businesses that owns the ability for mass production of CD, DVD, BD and AD such recording disc. In addition, to complete the competitiveness for seeking the business opportunities in term of the Archival disc market, Ritek will more aggressively to invest in ISO16963, the highest long-life product certification. It is expected to successively acquire certification in related with various disc products in 2021.

We believe that the recording disc will be gradually turned from B2C to the cold storage of B2B archive market. Ritek is ready to welcome the coming of disc market exchange era. Following the trend of automatic data generation process gaining more complete analysis available for transmission to edge network in the real time, the weight of data created is gradually transferred from consumer end to business end and heading to new data era. The latest research report sponsored by Seagate and executed by survey institution IDC further indicates that the stunning data created in 2025 will reach 163ZB, which will be over 10 times in 2016. Accordingly, the demand for cold storage archive recording media will be promoted as well.

There are more and more enterprises adopt 100GB, 128GB, 200GB blue-ray multilayer disc as storage media of business server backup system in recent years. Meanwhile, the US social website Facebook also announced to cooperate with Panasonic for the introduction of AD system as corresponding with demand of bigger data backup in the future. It is believed that Facebook is

positive to the option of replacing the tape with BD. It could be expected that recording disc will still be the recording media with long life, highly safe and low storage cost as well as the storage plan with highest market penetration rate in next few years.

Due to the rising and prevailing of smart phones, the idea of flash memory is emerging. The demand for access information anytime anywhere and high speed storage and transmission is increasing every day, which has stimulated the market growth in terms of small memory card Micro SDHC and Micro SDXC featured in light, thin, short and small size, high specification and high quality SDXC and CF memory cards as well as handy and simple cardreader markets. After all relevant big manufacturers introduce small memory card in different specifications to strive for the market, the demand of users for the capacity of smart phones is getting bigger and bigger. When the built-in capacity of mobile phone is insufficient, users may purchase memory card to solve the problem if the mobile phone is available for external memory card. Therefore, the shipment of memory card will be increased every year along with the shipment of smart phone. In consideration of application demand and expectation of customers, we will continuously introduce relevant application products. As to the orientation of production, we will do external expansion based on Flash storage media to maintain existing market share and knowledge of customer to Ritek brand.

Meanwhile, to correspond with surging information, consumers start requiring storage operators to provide more efficient storage method. Among mass information, the device should only save necessary parts and more rapidly read and write information and the storage capacity is increased. Therefore, we introduce Captain Series SSD – 480GB and 960GB as satisfactory to efficiency, capacity and stabilization to meet the needs of different consumers. Captain Series SSD could not only process multiple works with extraordinary speed, but also significantly reduce system startup and game downloading time, which allows businessmen racing against time and game players achieve perfect realm of high efficiency.

RITEK Panther Series SSD adopts strictly selected control chip and SATA III 6Gb/s ultra-high speed transmission interface to provide stable and ultra-high speed functions as transmitting HD video file. As comparing to traditional hard disc, it is equipped with stronger anti-collision and shockproof functions to fully prevent from data damage. In addition, the thickness 7mm design aiming at ultra-light notebook is not only the great breakthrough in terms of notebook efficiency, but also more handy and convenient for carrying and use.

There are two additional capacity series M.2 SSD(SATA) and M.2 SSD(NVMe) 128GB/256GB/512GB/1TB of RITEK SSD to correspond with the demand of system manufacturers, OEM customers and computer game players. M.2 SSD is solid and reliable, small size that is only one eighth of 2.5” traditional hard disc. The design of case free single sided PCB without any flexible part is very suitable for incorporated use with notebook, tablet and Ultrabook.

Following figure shows RITEK 2.5” SSD and M.2, mSATA, PCIE M.2 NVMe SSD

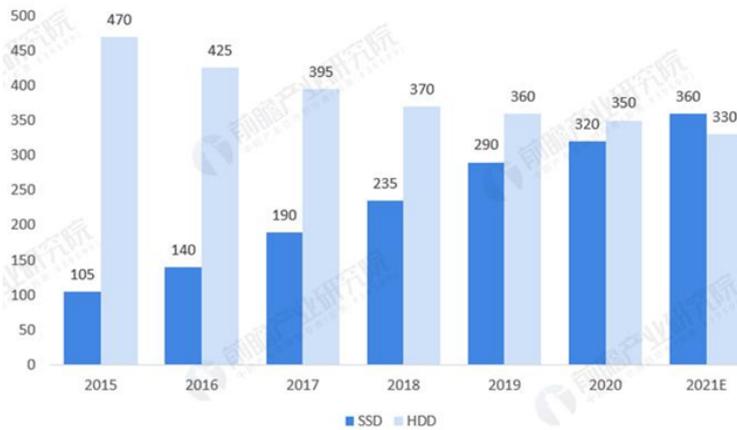


SSD shipment is expected to exceed HDD

The shipment of traditional HDD was 350million pcs in 2020 and the shipment of SSD was 320 million. It is expected that the shipment of SSD will exceed HDD and reach 360 million in 2021.

SSD keeps on speed growth, and the global shipment broke 200 million in 2018, which was almost 40% growth. SSD is still the major battlefield of all storage manufacturers and the capacity of consumer category SSD is at least 240GB/256GB. All SSD brands will focus on NVMe SSD. In addition, the storage business opportunities coming from burst of big data and the SSD storage resolution is used to respond the market challenge. The market is optimistic to the giant business opportunity brought by magnanimous data storage.

2015-2021年全球SSD和HDD出貨量及預測(單位：百萬個)



資料來源：IHS 前瞻產業研究院整理

The SSD growth led by demand of notebook in 2020

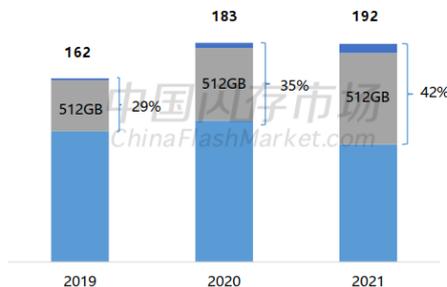
The home economy is rising from the spread of COVID-19 in 2020, and the demand for notebook was increased dramatically. According to the report of survey institution, the shipment of notebook may reach 195.7 million in 2020, which is 14.1% YOY increase. Among them, the sales volume of Chromebook with cheaper price fulfilled the greatest YOY increase 67%, i.e. 22.2 million sets. On the other hand, according to the data of ChinaFlashMarket, the SSD adoption rate in notebook market already reached 80%, and the shipment of 512GB SSD was increased significantly in 2020. All these data show the importance of using notebook as main sea gate of storage products is getting obvious.

CFM 中国闪存市场
ChinaFlashMarket.com

註：單位為百萬個

PC市場SSD的出貨量及容量變化

■ 256GB及以下 ■ 512GB ■ 1TB及以上



來源：中國閃存市場

www.chinaflashmarket.com

CFM 中国闪存市场
ChinaFlashMarket.com

SSD在PC市場上的搭載率

— Desktop — NB



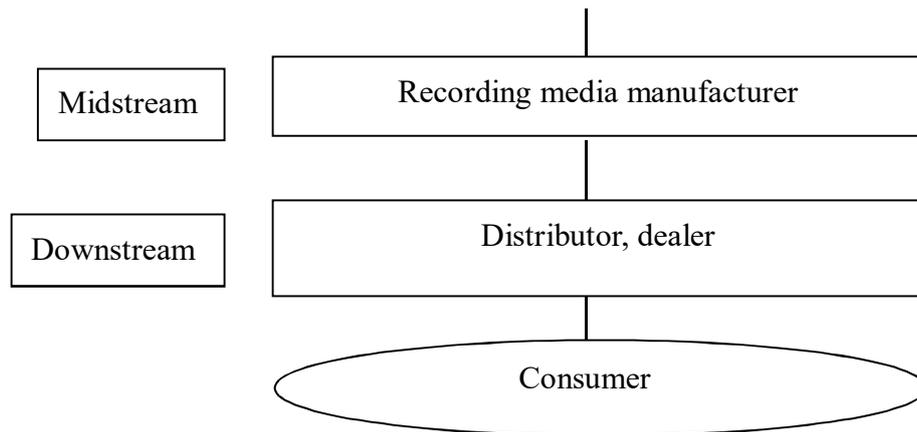
來源：中國閃存市場

www.chinaflashmarket.com

2. Industrial correlation:

Upstream

Material supplier



3. Product development trend and competition:

The disc technology will be oriented to following directions in the future:

(1) Multilayer: dual layer BD, three layer BD, four layer BD; double-sided three layer BD; archive disc with capacity 1TB (AD)

(2) Support 3D technology: BDA has established related specifications

(3) New application: The advantage of BD with high storage capacity may cut in the new application of B2B market.

In respect of industrial competition, the productivity of Taiwanese disc is already leading the development of overall disc industry. No matter it is CD, DVD or BD, Taiwan is the most important production base. With impact of COVID-19 and material shortage, the disc suppliers withdraw from the market much rapidly and therefore the market share of Taiwanese disc supply is further increased. The Company is the first professional disc manufacturer in the country and is leading in the industry no matter from perspectives of product scale or technology ability as well as the well know manufacturer of the world. The excess expansion of CD, DVD manufacturers in the past caused the tough time of disc industry in the past. The disc industry has already head to B2B market expansion and gradually received the attention from archive storage of end database center. The quality as required by B2B market is very high and its capital and technology threshold is quite high also, so the general small manufacturers gradually withdraw from the market due to investment incapability and inadequate competitiveness. In considering of continuous devotion to the industry, technology and quality highly valued by the customers, RITEK is authorized by Japan Panasonic to introduce the mass production of 300GB and therefore is in the leading position of AD mass production technology.

RITEK IA business group mainly engages in the research, manufacturing and sales of SD/MicroSD memory card, USB, OTG, card reader, SSD and multimedia products and information product applications. Among them, the memory cards, USB

and SSD applications are the majority. In highly competitive memory card/USB/SSD market, we accelerate the research and introduce high capacity, high speed and high specification products before others to correspond with the popularity of smart device/high-end camera.

(3) RITEK always focuses on research and technology development, especially the insistence in product quality. No matter it is CD, DVD or BD, RITEK always persist in our private dye recipe for CD-R, DVD-R. In addition to avoid materials being controlled by others, we may efficiently reduce the costs and control the quality at the same time. Therefore, the dyes developed by RITEK are advantageous in both quality and price. As to the development of phase change recording media such as DVD+/-RW, BD-R, BD-RE, RITEK persists in self-development of recording layer composition, incorporated with the cooperation plan with domestic and foreign material suppliers and research institutions, the recording materials dedicated to RITEK have advantages in both quality and speed. Therefore, regardless of the specification, RITEK keeps on the top of research and development. Furthermore, with persistence in research, RITEK may not only compete with Japanese big manufacturers in term of next generation BD development, but also fully participate in various technology feasibility test and specification establishment of BDA Association for the development of multilayer BD simultaneously.

In addition to the effort for materials, the marketing progress also meets the international level. No matter it is 16X DVD±R, 8X DL DVD+R/-R, 2X/4X/6X BD-R/2X BD-RE, double layer 4X/6X BD-R, the products are introduced simultaneously with international companies. Besides, RITEK is the first company passing BDA lab certification in domestic industry. This is just the result demonstrating the valuation of disc technology development. To correspond with long-life disc in Archival market, RITEK also aggressively introduces ISO16963 long life certification to satisfy the demand of AD professional market.

For the key of disc recording technology, RITEK has the only recording technology assembly team in the country that is capable to assemble recording production line. They not only establish the recording production system, but also complete the DVD+RW formatter development and BD, DVD-R/RW recording technology development, allowing RITEK to control all key production technology from the origin to finished products and further maintain the production quality and reduce the costs.

RITEK emphasizes both in product development and basic research work. RITEK continuously participates in all kinds of international seminars of optical storage technology, e.g. ISOM/ODS/PCOS. Meanwhile, RITEK also aggressively

releases the essays allowing the world to understand the research ability of RITEK. For intellectual property rights, RITEK continuously devotes in technology development and protect valuable technology and invention through patent application. There are almost hundred patents accumulated by now, especially the patents for BD technology and materials. RITEK understands that intellectual property right is the foundation of sustainable business development, and therefore continuous technology improvement and establishment of intellectual property right as necessary are the foundation of RITEK to keep market competitiveness.

As to the flash memory technology development, Nand Flash process is ever-changing and centered on high capacity, high specification and high speed transmission. It urges more extensive memory product applications. The Company takes shorter development schedule, research and innovation ability reinforcement as basis of product innovation. Meanwhile, we further focus on marketing strategies with the core to control the price trend, product advantages and market conditions and using diversified and multifunctional products to extend product life cycle.

1. The RD expenses devoted as of March 31, 2021

Unit: thousand

Year	2019	2020	Amount as of March 31, 2021
RD expenses	182,507	146,486	30,121

2. Successfully developed technologies or products

The Company's research and development is oriented to the blu-ray disc market trend and consecutively completes product development as follows

- Three-layer blue-ray 4X BD-R disc
- Dual layer blue-ray 4X BD-R disc
- Dual layer blue-ray 6X BD-R disc
- Blue-ray 4X BD-R disc
- Blue-ray 6X BD-R disc
- Blue-ray 2X BD-RE disc
- AD disc
- USB 2.0 Drive ID37、ID48、ID50、OJ3、OJ15、OD3、OD11、OD13、OD16、OJ9、OD6B、OJ10、SD10、SD11、OT2、Topy、Penguin development
- USB 3.0 Drive HD7、HD8、HD9、HD12、HD13、HD50、HM1、HM2、HJ3、HJ15 development
- Lightning USB3.0 Drive OA2
- microSDXC 256GB U3I、SDXC 256GB U3I development
- Bluetooth heart rate smart sport bracelet
- SSD 2.5" SATA III 6Gb/s development
- mSATA SSD 8GB / 16GB /32GB /64GB development
- M.2 SSD(NGFF) 64GB/ 128GB /256GB development

- PCIE M.2 NVMe SSD External USB3.1 Gen 2 240GB/480GB development
- OTG USB Drive /OTG card reader development
- Continuous development on encryptable memory card
- Continuous development on encryptable USB
- iPhone/Smart phone related products development
- Tablet related products development
- Various value-added software and system development

(4) Long, short-term business development plan:

1. Short-term development plan:

- (1) Perfect global sales organization, devote in talent development and team spirit
- (2) Establish distribution system aiming at individual market as appropriate and design different product combinations by regions, market conditions and designs, and cooperate with marketing activities of distributors to establish brand value.
- (3) Package design should be satisfactory to fashion trend and add anti-counterfeit design in product design
- (4) Brand simplification and novel style to improve brand visibility
- (5) Aggressively acquire various professional certification to enhance the brand image and market positioning

2. Long-term development plan:

Focus on individual market operation, cultivation, establish global sales locations, and aggressively develop global regional markets to improve customer satisfaction and self brand market share. RITEK also aggressively devotes in B2B market expansion to seize the demand of AD of end database center.

II. Market, production/sales highlight :

(1) Market analysis

1. Major product sales regions

Year		2019		2020	
		Amount	%	Amount	%
Overseas	USA	795,957	10.23%	495,025	7.53%
	Asia	3,916,434	50.35%	3,195,600	48.58%
	Europe	500,359	6.43%	391,549	5.95%
	Other Area	322,043	4.14%	196,025	2.98%
Domestic		2,244,330	28.85%	2,300,010	34.96%
Total		7,779,123	100.00%	6,578,209	100.00%

2. Market share:

RITEK is the global leading disc manufacturer that produced the first CD, DVD and BD in Taiwan and occupies largest global market share in term of BD. High market share means that RITEK is highly competitive. RITEK has strong RD team focuses on related product development and tests, while RITEK is the only company received governmental subsidy for Blu-ray technology development. In addition to ordinary products, RITEK further provides differentiated product combinations for different markets and different demands. No matter it is high capacity, differentiated or ordinary disc, their most important value is at operational stability and data storage function. Therefore, RITEK proposes “Easy Authoring, Everlasting Storage” as the idea of product value, providing consumers with most compatible burner and best quality disc.

Ritek has large capacity, long-life disc mass production and research technology and consecutively introduced high density, multilayer storage archive blue-ray AD 300G and above products since 2017. In the future, Ritek will develop and produce blue-ray products with higher capacity. To correspond with fast growing Archive demand for big data, the advantages of disc in respect of near-line and off-line backup is getting obvious along with huge data increase. Although the real-time function of hard disc cannot be replaced by now, the demand for secondary storage (near-line) and third storage (off-line) is increasing every day. According to the report of Japanese research institution Fujiwara-Rothchile, 1TB BD will be introduced to market in 2020. In 2021, the ultra-high capacity (300GB and above) archive disc demand will reach 42M. Ritek Technology is ready for the research and mass production corresponding with trend in the future.

RITEK spares no effort to promote self-brand. The brand “RITEK” in Asia, “RIDATA” in USA and “TRAXDATA” in Europe all occupies high market share. The operational results over years also successively glow internationally and the products and brands are recommended by global magazine for several time, including “Outstanding Award” selected by famous US Event DV magazine, “DVD Product Award” selected by Germany Computer Bild and “Quality Product Award Selected by Readers” of global authoritative technology magazine CHIP, “Quality Brand” and “Consumer Trustworthy Brand” awards of China Information World. In recent years, we also honored “Top 100 Brand in Vietnam” and “Vietnam High Quality Brand” such awards issued by Vietnam government.

In Taiwan, we further honored “Top 100 Brands in Taiwan”, “Taiwan Quality Brand” and “Golden Trade Award” issued by Bureau of Foreign Trade, MOEA. We are also confirmed by several “Taiwan Excellence”, “Quality Design Award”. In addition, RITEK DVD stands on top of “Player Selection” organized by famous magazine

PCDIY in Taiwan for consecutive nine years. It is sufficient to prove the splendid achievements and extensive market popularity and share of RITEK in media storage field.

3. Future market demand, supply and growth

According to Japanese famous research institute BOC, recording CD demand is stabilized without significant decline, meanwhile the demand of DVD in emerging countries is strong and stable. The other Japanese research institution TSR indicates BD keep growing greatly every year. In addition to stable market demand in Japan, BD demand in China, Russia and middle and South America markets is also vigorous and the demand exceeded 700M in 2017. BD is a high margin product, and RITEK is the manufacture seizing the knowhow of M-DISC, especially the duration is very important in business data backup. Therefore, RITEK keeps prudential and optimistic toward future consumer and professional backup market development.

4. Competitive edge and favorable and adverse factors of future outlook and corresponding strategies:

(1) Competitive Edge

A. Seize market opportunities:

RITEK has flexible manufacturing system to get most appropriate RIGHT-TECH, control the RIGHT TIME and develop RIGHT Product as satisfactory to the needs of customers in Hi-TECH field. “Knowledge innovation”, “time competition” and “customer satisfaction” allow the Company to maintain highly growth power in the rapidly change environment of digital time.

RITEK also devotes to continuous development of storage media with high value. In addition, the research speed and mass production technologies for various products are all leading the industry and market to seize the market opportunities.

B. Complete resolution:

RITEK persists in the spirit of Excellent to provide high quality and stable serial disc, flash memory (USB, memory card) and SSD. From product research, new product mass production, material purchase, production, product

delivery to customer services, we offer sweet and complete resolution for customers in every detail. We have established environmental test and optical lab and invested massive equipment for product tests to enhance product reliability. There is outstanding technology department to support all production lines to achieve high quality and zero fault. In the mean time, we enhance our personnel quality and carry out quality requirements of each flow through continuous educational training to attain our final goal: “satisfy the needs of customers, surpass the expectation of customers”!

(2) Favorable factors

The Company has cultivated in disc for almost thirty years and has established extensive overseas sales locations and good channel relationship in US, Europe and Mainland China. The flash memory (USB, memory card) and SSD could be distributed to the world rapidly by using existed channels. As to the supplier relationship, we have stable cooperative partners and therefore the sources of goods are stable and sales prices are competitive. In respect of product lines arrangement, the diversification strategy is adopted. We have consecutively developed many memory application products and digital products with advantages as follows:

- A. The market demand for flash memory applying to consumer digital electronic products is very strong and growing continuously.
- B. Market competition is dramatic, domestic and foreign small to medium size companies withdraw the market continuously because they cannot cover the costs and therefore the orders are more quickly transferred to big companies.
- C. The Company has cultivated in disc for almost thirty years and has established extensive overseas sales locations and good channel relationship for OEM/ODM marketing channel in US, Europe and Mainland China. The flash memory (USB, memory card) and SSD could be distributed to the world rapidly by using existed channels.
- D. As to the supplier relationship, we have stable cooperative partners and therefore the sources of goods are stable and sales prices are competitive
- E. In respect of product lines arrangement, the diversification strategy is adopted. We have consecutively developed many memory application products and digital products.

(3) Adverse factors and corresponding strategies

A. Adverse factors:

- ☞ The industry is getting matured, resulting in limited gross margin. In addition, the volatility of major material price, inferior and low price product invasion would impact the overall market affecting the profitability.

☞ Technology is updated constantly, and the life cycle of flash memory is getting shorter

☞ The application of memory products is more extensive, the Company needs to reinforce the research and innovation ability and increase investment in order to shorten the development schedule and put more diversified products on market.

B Correspondent strategies:

☞ Aiming at high PC material price, we adopt coordinated action by dealing with material supplier's altogether and take powerful measures to control high material price.

☞ Now the disc has entered the oligopoly phase, the centralization trend is obvious with higher technology entrance barrier. In the trend of change in supply and change when the second tier manufacturers gradually withdraw from the market, RITEK has great competition advantages.

☞ Improve the yield of original and future products, invest the research for niche products with higher profit as base for product innovation.

☞ Emphasize marketing strategies more to seize product trend, create market demand and adopt diversified products to extend product life cycle.

☞ Shorten the delivery time, satisfy request for flexible order production, establish global services system, enhance service quality and meet customer demands

☞ Launch multilateral industrial strategic alliances, control stable sources and improve competitiveness

(4) Future outlook

A. Overall industrial demand growth

Research institutes indicate that BD demand is quiet optimistic and the Archive long-term backup disc will have explosive growth.

B. Product combination advantages

The professional disc manufacturer equipped with the ability for mass production from CD to AD series disc, RITEK is quite advantageous because of the most complete product lines owned.

C. Copy successful regional experiences to the whole world

More and more computer and consumer electronic product applications signify the business opportunity of blank disc

China will be the key of future computer and consumer product applications, while RITEK has already established the brand popularity and market share in China. In the future, RITEK will implant these successful experiences to all the regions worldwide.

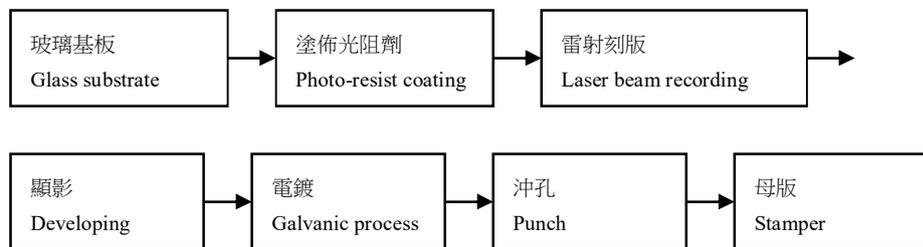
(2) The important purposes and processes of major products :

1 Purposes of major products

- (1) Disc for one time recording (CD-R, DVD+R/-R, DL DVD+R/-R, BD-R, BD-R DL and BD-R XL): The storage media which user may record for one time
- (2) Rewritable disc (CD-RW、DVD+RW/-RW、DVD-RAM and BD-RE): The storage media which user may record for many times
- (3) AD available for the cold storage of large data center.
- (4) Flash memory (USB, memory card) and SSD applications, including: Computer, digital camera, mobile phone, notebook, video recorder, dash cam and other consumer electronic products

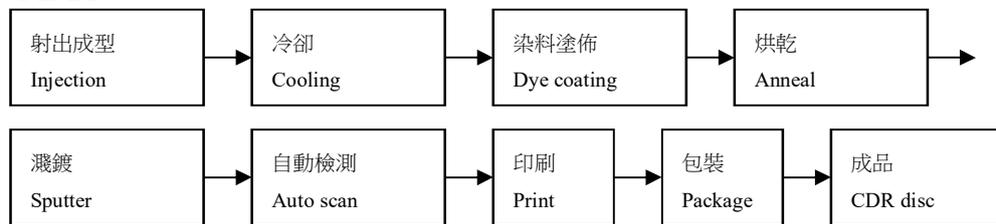
2 Process

(1) Stamper production

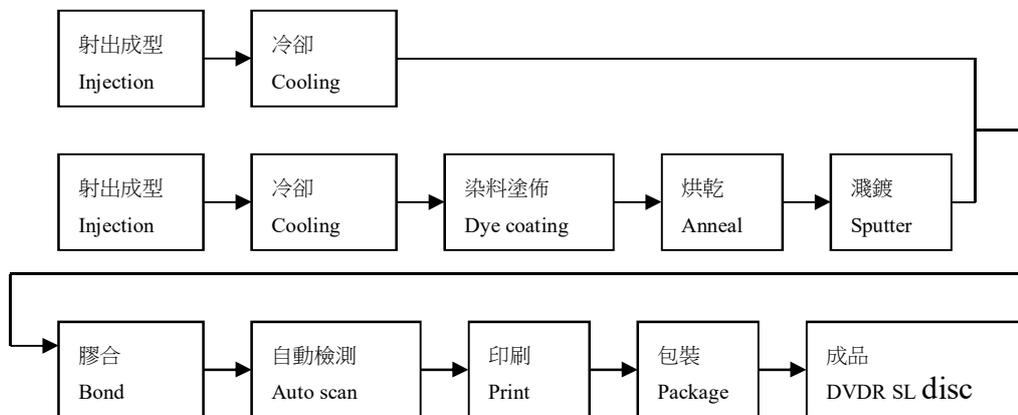


(2) Blank disc production

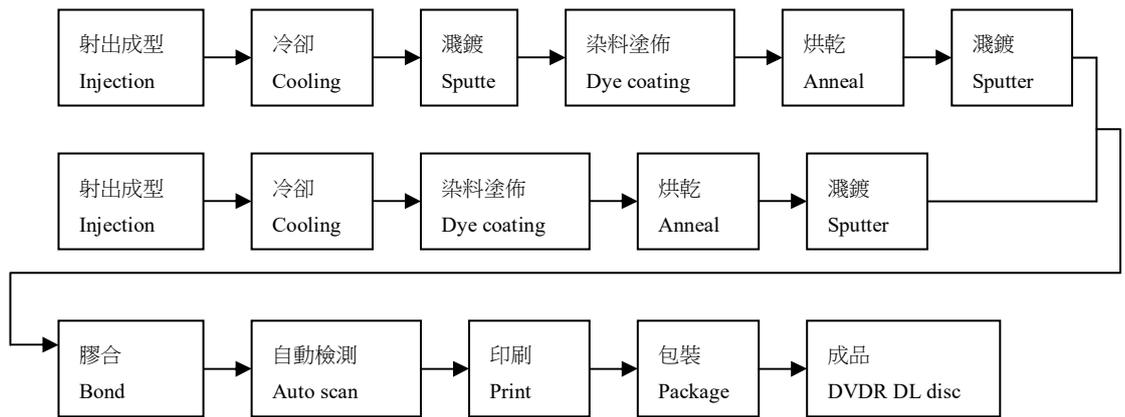
CDR



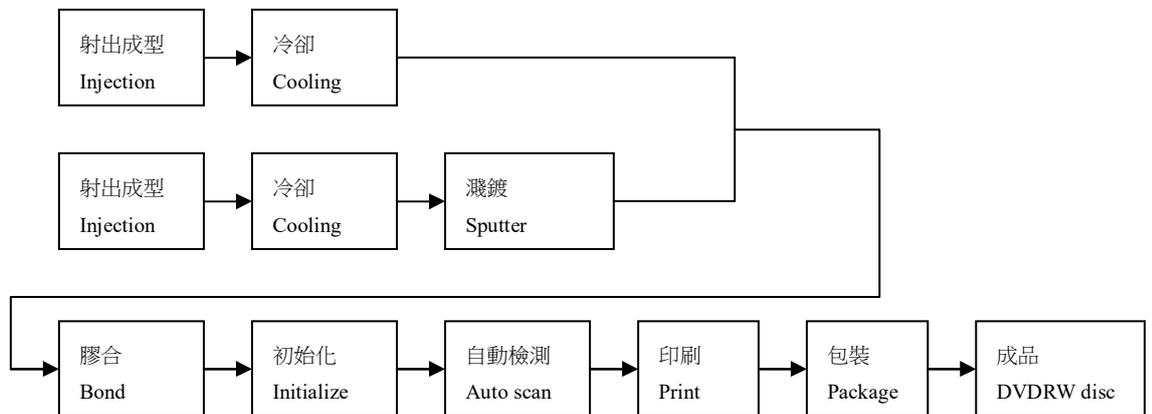
DVDR Single layer



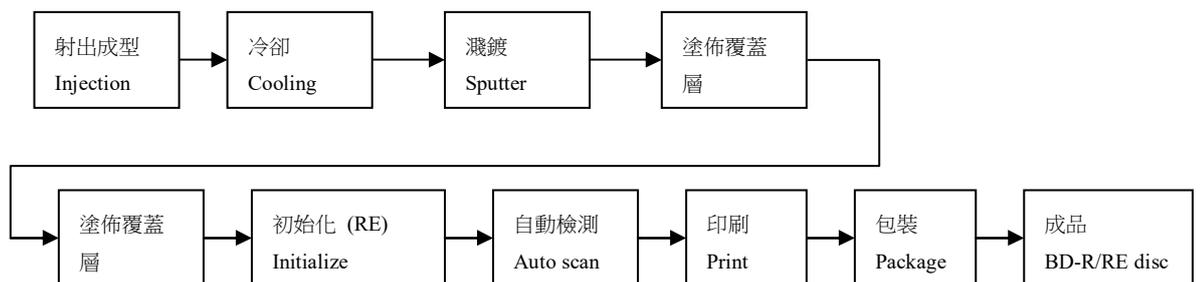
DVDR Double layer



DVDRW



BD-R/RE



(3) Major material supply status

Major Business Division	Major Products	Major Materials		
		Name	Major Supply	Supply Status
Disc	CD-R CD-RW DVD Writer once DVD Rewritable	Plastic	Spain, Taiwan, Middle East, Thailand	Good
		Target material	Japan	Good
			Taiwan	Good

	BD-R BD-RE	Protect lacquer	Japan	Good
			Taiwan	Good
		Ink	Taiwan	Good
			Japan	Good
		Dye	Japan	Good
			India	Good
			Taiwan	Good
Bonding glue	Japan, Taiwan	Good		
Photoelectrical products	IA	Flash	Korea, Japan	Good

(4) Major suppliers and customers

1. The purchase amount and percentage of supplier accounting for 10% or more incoming goods in either year of last two years:

Item	2019				2020				2021 Q1			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	E	504,269	14.42	None	E	374,778	12.75	None	E	70,261	8.06	None
	Other	2,991,918	85.58	-	Other	2,563,586	87.25	-	Other	801,519	91.94	-
	Net of Incoming Goods	3,496,187	100	-	Net of Incoming Goods	2,938,364	100	-	Net of Incoming Goods	871,780	100	-

Major reason for increase and decrease: as required by production schedule

2. The purchase amount and percentage of customer accounting for 10% or more incoming goods in either year of last two years: neither customer accounts for 10% or more of total sales amount

Major reason for increase and decrease: no change

(5) The production volume and value in last two years

Unit: NT\$ thousand, set/1000 pcs

Year Production Volume and Value Major Product	2019			2020		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Optical products and peripheral equipment	461,180	392,090	3,391,850	417,887	339,598	5,515,634
Total	461,180	392,090	3,391,850	417,887	339,598	5,515,634

Note: the volume of "Other" include different counting units presented in the same way

(6) Sales volume and value in last two years

Unit: NT\$ thousand, set/K pcs

Year Sales Volume	2019		2020	
	Domestic Sales	Oversea Sales	Domestic Sales	Oversea Sales

and Value Major Product	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical products and peripheral equipment	60,931	1,901,533	462,927	5,074,161	49,827	1,885,777	355,150	3,668,918
Other	2,922	342,797	23	460,632	35	414,233	264	609,280
Total	63,853	2,244,330	462,950	5,534,793	49,862	2,300,010	355,414	4,278,198

III. The employee information in last two years and as of the date of annual report

Year	2019	2020	As of April 30 , 2021
Number of Employees	821	666	643
Age in Average	41.7	42.9	44.13
Seniority in Average	14.1	15.7	16.19
Education Distribution	PhD	0.20%	0.30%
	Master	4.8%	4.95%
	College	78.30%	78.98%
	High School	15.3%	13.96%
	Under High School	1.4%	1.8%

IV. Environmental expenses

- (1) In recent year and as of the date of annual report, the total loss (including compensation) and penalty due to environmental pollution and explain future counterplots (including improvement actions) and possible expenditure: nil
- (2) Environment protection policies and improvement plan:

1. Greenhouse gas emission:

Climate change is the biggest challenge of all countries, governmental department, economic sectors and public to be faced in the future. It would affect human health and nature and may cause huge change to the use of resources, production and other economic activities. The Company has not yet introduced greenhouse gas physical taking. However, being an enterprise with environmental consciousness and social responsibility, we should aggressively understand the greenhouse gas emission and management. Therefore, the Company actively conduct greenhouse emission calculation.

Item	2018	2019	2020
Scope 1 Direct greenhouse gas emission (KgCO ₂ e)	125, 517. 97	90, 216. 04	84, 555. 43
Scope 2 Indirect greenhouse gas emission (KgCO ₂ e)	50, 075, 669. 43	43, 550, 444. 69	23, 641, 089. 05
Total emission (KgCO ₂ e)	50, 201, 187. 40	43, 640, 660. 74	23, 725, 644. 47

Greenhouse emission strength (KgCO ₂ e/revenue in thousand dollars)	9. 61	8. 74	8. 38
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2. Annual water consumption:

Unit: m³

2018	2019	2020
174,559	153,846	112,616

The Company devotes in water recycling measures. Except for the unrecyclable part, all remaining water is recycled and used to for cooling tower and garden watering facilities to reduce costs and avoid resources waste.

3. Wastewater substance drainage:

The Company is not situated in headwater protection area, therefore the wastewater drained by the Company would not affect the headwater. The influent design is adopted for the wastewater of the Company and the rain and sewage are separated. The rain flows to the sewage planned by the Industrial Park via general drainage ditch, while the effluent is not drained until it is processed by sewage treatment plant via the sewage channel and satisfactory to the national drainage standards. Therefore, the impact is very insignificant to water resources and earth.

The wastewater drained by the Company would not increase pollutants due to expansion of production line, and the values were all under statutory standards.

The water plant control limit among the wastewater drained by the Company is far lower than statutory standards. We will continuously improve wastewater to demand ourselves with stricter standards as to achieve the environmental commitment.

4. Energy use:

The energy consumed most by the Company is power. To reduce power consumption, the Company especially add some power saving facilities like power saving lamp, air conditioner for FAB with control device to ensure that the system is most power saving. There is also equipment maintenance plan...to reduce the power consumption. All energy used by the Company are satisfactory to national control items without emission that would pollute environment and damage ozonosphere.

5. Waste processing:

To pursue sustainable operation, the Company improves the process and recycles the resources to reduce costs and pollution and achieve the win-win

situation of reducing environmental pollution and effective resources usage. The plant values the environmental awareness, all resources available for recycling or reclaim will be handled by qualified caring companies based on the nature of wastes. Meanwhile, the Company would audit the companies irregularly to reinforce the supervision and management of clearing companies.

There are three types of wastes generated by the Company:

- (1) General business wastes: the class A cleaning institution is designated to clear the waste at plant and deliver to Hsinchu incineration plant for processing.
- (2) Hazardous waste: HoldingForce Info. Co., Ltd is designated for treatment
- (3) Resources recycling: promote ISO14001, and the resources are delivered to resource recycler for processing. In the future, in addition to reducing general business waste and hazardous waste volume, we will also aggressively engage in resources recycling and reuse.
- (4) The dedicated person would repair the bad pallets for use again.
- (5) Other waste boxes, iron, FIBC are purchased by associate enterprises.

6. The impact of waste gas to air and earth:

The waste gas generated by the Company is evaporate organics, which is processed before the emission. In addition, the inspection company as approved by EPA would conduct the inspection every year, and the waste gas inspection values were all satisfactory to statutory standards. Therefore, the impact to air and earth is extremely little.

Current statutory standards do not have definition aiming at features of the Company. However, in consideration of environmental carefulness and reducing environmental impact, the Company use strictest standards to demand ourselves. If there are new standards set in the future, the Company will follow the new regulations.

All processing of the Company above did not violate any environmental regulations

(2) Future strategies for environmental protection and industrial safety:

The Company persists in the spirit of ISO 14001 environmental management and OHSAS 18000 occupational safety and health management to not only meet relevant laws and follow international advanced environmental protection and safety and health standards, commit for providing and maintain a working environment in balance of laws compliance, environmental protection and safety and health, but also continuously promote risk management to eliminate and prevent possible dangers resulting in environmental pollution and injury and reduce

environmental impact and safety and health risks.

On the premise of protecting earth resources, the Company also continuously improves and reduces the resources and chemicals consumption through optimal process and preventive nature safety as well as devotes in environmental and safe design to the expectation of being an international green enterprise for sustainable development.

The wastewater, waste gas and waste processing had been included in the system design for plant construction. Subsequently, the environmental protection equipment will be updated to improve efficiency and achieve the goal of reduced pollutant emission as corresponding with capacity expansion and new environmental technology. The relevant personnel and report, permit and documents as required by competent authorities and laws are all applied pursuant to laws. Aiming at current environmental protection and safety and health conditions, we all monitor and report periodically to achieve the win-win situation in term of environmental protection, industrial safety and production.

(4) The actions of the Company to correspond with EU related instructions and instructions of other areas regarding environmental related issues:

1. Management measures

(1) Established correspondent window to coordinate counterplots and implementation of all departments in 2003

(2) Establish concentration limit for basic hazardous controlled substances of materials and certificate management system

(3) Notice suppliers for related environmental green production standards and request for providing relevant certificates

(4) The change of process shall be satisfactory to EU relate regulations and customer green production standards

(5) Audit suppliers irregularly and assist suppliers on establishing green supply chain to the expectation of reducing violation risks

2. The process and production management of the Company are satisfactory to EU related laws and customer green production standards, and the green production certified by some international companies are acquired as well.

V. Labor/Management relations

(1) Employee welfare, study, training, retirement system and implementation as well as the agreement between employer and employees and various employees benefit maintenance measures:

1. Employee welfares and implementation

- (1) Labor insurance and national health insurance: the labor insurance, national health insurance related welfares for all employees of the Company are effective since 0:00 of date on board to firmly protect employees' benefits.
- (2) Group insurance: all employees enjoy free life insurance, medical insurance and liability insurance such protections.
- (3) Periodical health checkup: employees are most precious assets of the Company and their health condition may directly affect the Company's production ability. Therefore, to ensure physical health of employees, we conduct free physical checkup plan periodically and add specific physical checkup items aiming at employees doing special operations.
- (4) Employee dormitory: provide convenient living choice for non-local employees to avoid inconvenience of commutation.
- (5) Employee bonus sharing: all employees of the Company are entitled to buy stocks, participate in operation and share growth profit of the Company for the employees' coherence and team spirit development.
- (6) Annual travel allowances
- (7) Organize friendship activities irregularly
- (8) Club activities and allowances
- (9) Complete educational training system and budget provision
- (10) Festival gift coupon, bonus

2. Welfares organized by Employee Welfare Committee:

The Company has established Employee Welfare Committee pursuant to regulations and appropriate welfare bonus monthly. The Employee Welfare Committee plans and organizes family day, department reunion, festival gift coupon distribution and employee travel periodically every year and give birthday present to each employee for birthday. In addition to monetary allowance for marriage, giving birth and occupational injury, the Committee would also give potted or basket of flowers for wedding and funeral.

3. Employee study and training

To train talent and enhance operational performance, the Company has established the procedures for educational training management and would propose annual educational requirements and schedule providing complete in service training. The Company aggressively organizes various educational training, including new employee orientation, professional technology, management and self-development training to cultivate human resources of the Company.

Course	Number of Classes	Total Persons	Total Hours
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New employee orientation	9	9	72
At service training	245	577	3, 975
External training	77	27	377
Public safety course training	62	464	1, 346. 5
	1	82	41

The Company also has instruction manual for in-service education allowances to encourage employees studying languages, computer skills after the work to enrich knowledge and improve working skills.

4. Employee retirement system and implementation status

To care for employees after the retirement, the Company has especially established retirement regulations. Aiming at employees applicable to new system under Labor Pension Act, the Company contributes the pension fund monthly and deposits in the individual pension account opened by the Bureau of Labor Insurance

5. Labor agreement and various employee benefits maintenance

- (1) The Company has established personnel management rules and operational rules for complete planning from employee recruitment, promotion to retirement, condolence as regulations for the Company and Employees in common.
- (2) The Company organizes various communication meetings periodically, including: new employees, department staff cadre meetings and department meetings to facilitate smooth communication channel for passing opinions of subordinates to superiors.
- (3) The Company has “RITEK discussion forum” and e-billboard for message, laws and policies promotion and communication.
- (4) To prevent internal sexual harassment, maintain gender equality and personal dignity and protect rights of employees, the “Sexual Harassment Prevention Procedures” are hereby established for the prevention, complaint and punishment of sexual harassment event.

- (2) The loss suffered by the Company due to labor dispute in recent year and as of 最近 the date of annual report, and disclose current estimated or potential amount and corresponding measures: Nil

VI. Important agreements (record current supply and sales contract, technological cooperation contract, construction contract and long-term loan contract in force and due within one year)

Nature of	Party	Contract Period	Major Content	Restriction
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Contract				Clause
License Contract	PHILIPS	Automatic renewal every year since January 2016	Patent license	None
License Contract	SONY	Automatic renewal every year since April 2013	Patent license	None
License Contract	TAIYO YUDEN	Automatic renewal every year since July 2015	Patent license	None
License Contract	JVC	Automatic renewal every year since July 2017	Patent license	None
License Contract	PIONEER	Automatic renewal every year since April 2018	Patent license	None
License Contract	One-Blue	March 2019- March 2024	Patent license	None
License Contract	mitsubishi	November 2010- October 2020	Patent license	None
License Contract	TDK	Automatic renewal every year since March 2014	Technology and trademark license	None
License Contract	HML	Automatic renewal every year since August 2016	Technology and trademark license	None
License Contract	O-JIN	June 2020 ~ May 2025	Trademark license	None
Long-term loan	Shanghai Bank	July 2017 ~ July 2022	Secured by land and building	None
Long-term loan	Shanghai Bank	November 2018 ~ November 2023	Secured by land and building	None
Long-term loan	Yuanta Bank	March 2019 ~ March 2022	Secured by land and building	None
Long-term loan	Yuanta Bank	August 2019 ~ August 2022	Secured by land and building	None
Long-term loan	King's Town Bank	August 2017~ August 2019	Stocks	None
Long-term loan	King's Town Bank	June 2018~ June 2020	Stock	None
Long-term loan	Taishin Bank	August 2019~ August 2021	Secured by land and building	None
Long-term loan	Cooperative Bank	August 2018~ August 2023	Secured by land and building	None
Long-term loan	Cooperative Bank	February 2018~ February 2023	Secured by machinery	None
Long-term loan	Far Eastern Int'l Bank	August 2019~August 2024	Solar power plant	

VI. Financial Highlights

1. Condensed Balance Sheet and Comprehensive Income Statement from 2016 to 2020

(1) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial Information from 2014 to 2018 (note 1)					Financial Information as of March 31, 2021 (note 3)
		2016	2017	2018	2019	2020	
Current Assets		9,349,341	8,423,001	8,486,808	8,130,144	7,672,842	7,700,510
Property, Plant and Equipment		13,691,073	12,117,022	12,509,656	10,264,640	9,474,412	9,351,744
Intangible Assets		1,015,271	942,070	868,581	590,530	555,664	551,300
Other Assets		2,735,615	2,005,469	1,829,730	1,970,076	1,848,751	2,000,394
Total Assets		26,791,300	23,487,562	23,694,775	20,955,390	19,551,669	19,603,948
Current Liabilities	Before Distribution	5,350,512	5,346,360	5,776,153	4,509,290	4,515,938	4,881,175
	After Distribution	5,350,512	5,346,360	5,776,153	4,509,290	(Note2)	
Non-current Liabilities		4,104,518	3,570,248	4,711,158	5,277,849	4,747,785	4,253,763
Total Liabilities	Before Distribution	9,455,030	8,916,608	10,487,311	9,787,139	9,263,723	9,134,938
	After Distribution	9,455,030	8,916,608	10,487,311	14,296,429	(Note2)	
Equity Attributable to Shareholders of the Parent		13,102,944	10,416,844	9,169,750	7,007,511	6,024,333	6,057,693
Capital		17,667,921	17,667,921	12,841,579	12,841,579	6,936,797	6,936,797
Capital Surplus		894,545	937,005	950,835	1,129,918	1,147,123	1,201,725
Retained Earnings	Before Distribution	(2,240,938)	(4,826,342)	(3,583,955)	(5,904,783)	(891,794)	(994,752)
	After Distribution	(2,240,938)	(4,826,342)	(3,583,955)	(5,904,783)	(Note2)	
Other Equity		(629,756)	(932,826)	(1,038,709)	(1,059,203)	(1,167,793)	(1,086,077)
Treasury Stock		(2,588,828)	(2,428,914)	0	0	0	0
Non-controlling Interests		4,233,326	4,154,110	4,037,714	4,160,740	4,263,613	4,411,317
Total	Before	17,336,270	14,570,954	13,207,464	11,168,251	10,287,946	10,469,010

Equity	Distribution						
	After Distribution	17,336,270	14,570,954	6,990,389	11,168,251	(Note2)	(Note3)

Note 1: The financial statements from 2016 to 2020 were all audited by the independent auditors.

Note 2: The proposal for 2020 loss covering has not yet approved by the shareholders' meeting

Note 3: The consolidated report audited by CPA.

2. Condensed comprehensive income statement (consolidated)

Unit: NT\$ thousand

Item \ Year	Financial Information from 2016 to 2020 (note 1)					Financial Information as of March 31, 2021 (note 2)
	2016	2017	2018	2019	2020	
Sales Revenue	10,483,997	9,797,109	9,358,661	7,779,123	6,578,209	1,769,426
Gross Margin	485,096	312,128	547,602	538,586	877,269	296,044
Operating Income	(1,162,470)	(1,376,508)	(1,031,759)	(976,023)	(481,908)	(44,883)
Non-operating Income and Expense	(1,110,197)	(563,933)	(21,379)	(1,494,178)	(247,847)	30,940
Net Income Before Tax	(2,272,667)	(1,940,441)	(1,053,138)	(2,470,201)	(729,755)	(13,943)
Net Income of Continuous Operating Unit	(2,622,213)	(2,298,145)	(1,234,502)	(2,571,482)	(801,727)	(41,167)
Net Income (Loss)	(2,622,213)	(2,298,145)	(1,234,502)	(2,571,482)	(801,727)	(41,167)
Other Comprehensive Income (net after tax)	(403,688)	(412,728)	(192,485)	(191,385)	(210,041)	14,025
Total Comprehensive Income	(3,025,901)	(2,710,873)	(1,426,987)	(2,762,867)	(1,011,768)	(27,142)
Net Income (Loss) Attributable to the Parent	(2,232,636)	(2,430,455)	(1,292,823)	(2,254,907)	(897,386)	(98,679)
Net Income (Loss) Attributable to Non-controlling Interests	(389,577)	132,310	58,321	(316,575)	95,659	57,512
Total Comprehensive Income Attributable to the Parent	(2,710,059)	(2,752,254)	(1,426,640)	(2,611,735)	(1,000,383)	(21,242)
Total Comprehensive Income Attributable to Non-controlling Interests	(315,842)	41,381	(347)	(151,132)	(11,385)	(5,900)
Earnings Per Share: dollar	(1.28)	(1.40)	(1.01)	(1.76)	(1.29)	(0.14)

Note 1: The financial statements from 2016 to 2020 were all audited by the independent auditors.

Note 2: The consolidated report audited by CPA.

3. Condensed Balance Sheet (individual)

Unit: NT\$ thousand

Item \ Year		Financial Information from 2016 to 2020 (note 1)				
		2016	2017	2018	2019	2020
Current Assets		4,532,844	3,072,677	3,393,695	2,748,842	1,866,706
Property, Plant and Equipment		3,875,628	3,351,126	3,068,645	2,352,069	2,289,233
Intangible Assets		33,984	24,159	16,295	12,644	9,342
Other Assets		11,084,023	9,411,660	8,621,885	6,939,161	5,813,983
Total Assets		19,526,479	15,859,622	15,100,520	12,052,716	9,979,264
Current Liabilities	Before Distribution	3,530,065	3,286,138	4,031,486	2,812,631	2,140,601
	After Distribution	3,530,065	3,286,138	4,031,486	2,812,631	(Note2)
Non-current Liabilities		2,893,470	2,156,640	1,899,284	2,232,574	1,814,330
Total Liabilities	Before Distribution	6,423,535	5,442,778	5,930,770	5,045,205	3,954,931
	After Distribution	9,953,600	5,442,778	5,930,770	5,045,205	(Note2)
Capital		17,667,921	17,667,921	12,841,579	12,841,579	6,936,797
Capital Surplus		894,545	937,005	950,835	1,129,918	1,147,123
Retained Earnings	Before Distribution	(2,240,938)	(4,826,342)	(3,583,955)	(5,904,783)	(891,794)
	After Distribution	(2,240,938)	(4,826,342)	(3,583,955)	(5,904,783)	(Note2)
Other Equity		(629,756)	(932,826)	(1,038,709)	(1,059,203)	(1,167,793)
Treasury Stock		(2,588,828)	(2,428,914)	0	0	0
Total Equity	Before Distribution	13,102,944	10,416,844	9,169,750	7,007,511	6,024,333
	After Distribution	13,102,944	10,416,844	9,169,750	7,007,511	(Note2)

Note 1: The financial statements from 2016 to 2020 were all audited by the independent auditors.

Note 2: The proposal for 2020 loss covering has not yet approved by the shareholders' meeting

4. Condensed Comprehensive Income Statement (individual)

Unit: NT\$ thousand

Item \ Year	Financial Information from 2014 to 2018 (note 1)				
	2016	2017	2018	2019	2020
Sales Revenue	6,206,392	5,222,080	4,994,319	4,224,997	2,831,898
Gross Margin	(388,933)	(449,275)	(143,048)	42,809	24,377
Operating Income	(929,373)	(901,678)	(567,049)	(322,535)	(249,923)
Non-operating Income and Expense	(977,048)	(1,206,369)	(561,732)	(1,877,873)	(647,463)
Net Income before Tax	(1,906,421)	(2,108,047)	(1,128,781)	(2,200,408)	(897,386)
Net Income of Continuous Operating Unit	(2,232,636)	(2,430,455)	(1,292,823)	(2,254,907)	(897,386)
Net Income (Loss)	(2,232,636)	(2,430,455)	(1,292,823)	(2,254,907)	(897,386)
Other Comprehensive Income (net after tax)	(477,423)	(321,799)	(133,817)	(40,253)	(102,997)
Total Comprehensive Income	(2,710,059)	(2,752,254)	(1,426,640)	(2,295,160)	(1,000,383)
Earnings per Share: dollar	(1.28)	(1.40)	(1.01)	(1.76)	(1.29)

Note 1: The financial statements from 2016 to 2020 were all audited by the independent auditors.

(2) The name and opinions of independent auditors from 2016 to 2020

Year	CPA Firm	Name of CPA	Opinion
2016	Earnest & Young	Hung, Mao-Yi, 、 Chang, chih-Ming	Unqualified opinions
2017	Earnest & Young	Hung, Mao-Yi, 、 Chang, chih-Ming	Unqualified opinions
2018	Earnest & Young	Chang, chih-Ming, 、 Hsu, Jung-Huang	Unqualified opinions
2019	Earnest & Young	Hsu, Jung-Huang, 、 Tu, Chia-Ling	Unqualified opinions
2020	Earnest & Young	Hsu, Jung-Huang, 、 Tu, Chia-Ling	Unqualified opinions

2. Financial Analysis from 2016-2020

(1) Financial analysis

1. Consolidated financial statements

Analytical Item (note 2)		Year	Financial Information from 2016 to 2020(note 1)					Financial Information as of March 31, 2021 (note 2)
		2016	2017	2018	2019	2020		
Financial Structure	Debts Ratio	35.29	37.96	44.26	46.70	47.38	46.60	
	Long-term Fund to Property, Plant and Equipment	156.60	149.72	143.24	160.22	158.70	157.43	
Liquidity Analysis (%)	Current Ratio	174.74	157.55	146.93	180.30	169.91	157.76	
	Quick Ratio	125.07	113.47	97.26	131.39	135.49	124.75	
	Times Interest Earned	(11.11)	(12.56)	(5.88)	(12.77)	(3.65)	0.60	
Operating Performance Analysis	Average Collection Turnover (Times)	4.73	5.04	5.12	4.82	4.61	4.90	
	Days of Collection in Average	77.16	72.42	71.28	75.72	79.17	74.48	
	Average Inventory Turnover (Times)	3.24	3.38	3.06	2.53	2.60	3.33	
	Average Payment Turnover (Times)	7.98	6.95	6.89	7.87	8.25	8.00	
	Average Inventory Turnover Days	112.65	107.98	119.28	144.26	140.38	109.60	
	Property, Plant and Equipment Turnover(Times)	0.67	0.76	0.76	0.68	0.67	0.76	
	Total Assets Turnover(Times)	0.36	0.39	0.40	0.35	0.32	0.37	
Profitability Analysis	Return on Total Assets (%)	(8.55)	(8.67)	(4.71)	(10.88)	(3.34)	(0.02)	
	Return on Equity (%)	(13.98)	(14.41)	(8.89)	(21.10)	(7.47)	(1.61)	
	Operating Income to Paid-in Capital Rate %	(12.86)	(10.98)	(8.20)	(19.24)	(10.52)	(0.82)	
	Net Margin (%)	(25.01)	(23.46)	(13.19)	(33.06)	(12.19)	(2.33)	
	Earnings Per Share(dollar)	(1.28)	(1.40)	(1.01)	(1.76)	(1.29)	(0.14)	
Cash Flow	Cash Flow Ratio%	24.08	13.29	0.00	24.89	23.50	1.73	
	Cash Flow Adequacy Ratio %	129.11	118.19	83.04	106.89	102.89	79.56	

	Cash Flow Reinvestment	2.51	1.54	0.00	2.53	3.10	0.25
	Ratio%						
Leverage	Operating Leverage	(1.01)	(0.28)	(0.46)	(0.60)	(0.97)	(4.28)
	Financial Leverage	0.86	0.91	0.87	0.84	0.75	0.56

Analysis of deviation of 2020vs. 2019: (exempted if the deviation is less than 20%)

1. Liquidity and profitability analysis: due to decrease of inventory as comparing to previous period
2. Profitability: the assets impairment is recognized and the net loss after tax was increased as comparing to previous period
3. Cash flow: mainly due to the increase of cash flow from operating activities
4. Leverage: mainly due to decrease of operating loss and the decrease of fixed costs

Note 1: The financial statements from 2016 to 2020 were all audited by the independent auditors.

Note 2: The consolidated report reviewed by CPA

2. Financial statements (individual)

Analytical Item		Year	Financial Information from 2016 to 2020 (note 1)				
			2016	2017	2018	2019	2020
Financial Structure	Debts Ratio		32.90	34.32	39.28	41.86	39.63
	Long-term Fund to Property, Plant and Equipment		412.74	375.20	360.71	392.85	342.41
Liquidity Analysis (%)	Current Ratio		128.41	93.50	84.18	97.73	87.20
	Quick Ratio		90.47	53.79	52.19	62.01	54.67
	Times Interest Earned		(15.81)	(23.26)	(11.68)	(24.21)	(12.06)
Operating Performance Analysis	Average Collection Turnover (Times)		4.38	4.62	3.97	3.16	2.99
	Days of Collection in Average		83.33	79.00	91.93	115.50	122.07
	Average Inventory Turnover (Times)		3.70	3.55	3.32	2.91	2.49
	Average Payment Turnover (Times)		7.01	6.21	6.00	6.39	7.42
	Average Inventory Turnover Days		98.64	102.81	109.93	125.42	146.58
	Property, Plant and Equipment Turnover(Times)		1.37	1.45	1.56	1.56	1.22
	Total Assets Turnover(Times)		0.30	0.30	0.32	0.31	0.26
Profitability Analysis	Return on Total Assets (%)		(10.18)	(13.33)	(7.89)	(16.09)	(7.65)
	Return on Equity (%)		(15.55)	(20.67)	(13.20)	(27.88)	(13.77)
	Operating Income to Paid-in Capital Rate %		(10.79)	(11.93)	(8.79)	(17.14)	(12.94)
	Net Margin (%)		(35.97)	(46.54)	(25.89)	(53.37)	(31.69)
	Earnings Per Share(dollar)		(1.28)	(1.40)	(1.01)	(1.76)	(1.29)
Cash Flow	Cash Flow Ratio%		20.52	0.00	0.00	12.69	0.00
	Cash Flow Adequacy Ratio %		177.11	153.00	115.84	200.27	191.53
	Cash Flow Reinvestment Ratio%		3.19	0.00	0.00	2.40	0.00
Leverage	Operating Leverage		(0.01)	0.27	0.06	(0.35)	0.42
	Financial Leverage		0.89	0.91	0.86	0.79	0.78

Note 1: The financial statements from 2016 to 2020 were all audited by the independent auditors.

Note2 : The calculation formulas are as follows

1. Financial structure

- (1) Debts ratio = Total liabilities / total assets
- (2) Long-term Fund to Property, Plant and Equipment = (Shareholders' equity + long-term liabilities) / net property, plant and equipment

2. Liquidity analysis

- (1) Current ratio = Current assets / current liabilities
- (2) Quick ratio = (Current assets – inventory – prepaid expense) / current liabilities
- (3) Times Interest Earned = Earnings before income tax and interest expense / interest expenses

3. Operating performance analysis

- (1) Average collection turnover (including account receivables and note receivables derived from operation) = Net sales / average account receivables (including account receivables and note receivables derived from operation)
- (2) Average days of collection = 365 / average collection turnover
- (3) Average inventory turnover = cost of sales / average inventory
- (4) Average inventory turnover days = 365 / average inventory turnover
- (5) Property, plant and equipment turnover = net sales / average net property, plant and equipment
- (6) Total assets turnover = net sales / average total assets

4. Profitability analysis

- (1) Return on total assets = [net income after tax + interest expense × (1 – tax rate)] / average total assets
- (2) Return on shareholders' equity = net income after tax / average net shareholders' equity
- (3) Net margin = net income / net sales
- (4) Earnings per share = (net income after tax – preferred stock dividend) / weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = five-year sum of cash from operations / five-year sum of capital expenditure + inventory additions and cash dividend
- (3) Cash flow reinvestment ratio = (cash provided by operating activities – cash dividend) / (gross property, plant and equipment + long-term investment + other assets + working capital)

6. Leverage:

- (1) Operating leverage = (net sales – variable cost) / operating income
- (2) Financial leverage = operating income / (operating income – interest expenses)

RITEK Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2020 Business Report, Financial Statements, and proposal for loss covering. The CPA Hsu, Jung-Huang and Tu, Chia-Lin of Ernst & Young was retained to audit Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and loss covering proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to article 14-4 of the Securities and Exchange Act and article 219 of the Company Law, we hereby submit this report.

To

RITEK Corporation
2021 Annual Shareholders' Meeting

RITEK Corporation

Convener of Audit Committee: Chen, Jun-Chao

March 26, 2021

Independent Auditor's Report

The Board of Directors and Shareholders:
RITEK Corporation

Opinion

We have audited the accompanying balance sheets of RITEK Corporation as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in stockholders' equity, cash flows and notes to individual financial statements (including the summary of significant accounting policies) for the period from January 1 to December 31, 2020 and 2019. These financial statements are the responsibility of the Company's management.

In our opinion, based on our audit results and audit reports of other independent auditors (please refer to other matters section), the individual financial statements referred to first paragraph present fairly, in all material respects, the financial position of RITEK Corporation as of December 31, 2020 and 2019, and the results of its financial performance and its cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We planned and conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 2020. These matters were address in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-financial assets

The amount of consolidated property, plant and equipment of RITEK Corporation was NT\$ 2,289,233,000 as of December 31, 2020, accounting for around 23% of total assets. Since RITEK Corporation and its subsidiaries had operation loss in 2020, showing that the assets may have impairment. With features of highly hypothesis and estimation of impairment over non-financial assets, we decide to take impairment of non-financial assets as key audit matter.

Our audit procedures include (but not limitation to) following audit procedures: evaluate the sign of impairment on cash generation unit identified by of management, measure recoverable amount of assets or cash generation unit, the higher one of fair value deducted by disposition costs and its use value as recoverable amount, refer to the Company's historical information and other external industrial analysis, evaluate the reasonableness of major assumptions and discount rates as basis of such impairment tests, evaluate the key assumptions made by the management for the cash flow forecast (including the revenue growth and gross margin by products) in the future.

We also evaluate the disclosure of RITEK Corporation regarding the impairment loss of non-

financial assets. Please refer to note 4, 5 and 6 of individual financial statements.

Revenue recognition

RITEK Corporation recognized revenue NT\$ 2,831,898,000 in 2020. The major sources of income were manufacturing and sales of disc and green energy products (solar power module/LED/battery related products) such optical information services and products. The build to order was adopted for transactions. Different terms of transactions were involved due to industrial features and customer demands. Therefore, the judgment is required to determine performance obligations and the criteria of satisfaction. Accordingly, the identification of revenue recognition is the key audit matter.

Our audit procedures include (but not limitation to) following audit procedures: evaluate the appropriateness of accounting policies made by management aiming at revenue recognition, understand the transaction flow of revenue recognition procedures against the performance obligations identified, test the effectiveness of internal control design and implementation in related with the revenue recognition as satisfactory to the performance obligations, conduct analytical procedures aiming at the sales price, sales volume, costs and gross margin and implement analytical procedures aiming at top ten customers, select sample for tests of transaction details and review the trading conditions and related sales receipts in the order to ensure the appropriateness of revenue recognition as satisfactory to performance obligations, conduct revenue cutoff test in certain period before and after the balance sheet date and check relevant certificates to ensure that the revenue is recognized in period as appropriate, review huge sales return after the balance sheet date to investigate and understand its reason and nature, carry out ordinary journal tests.

We also evaluate the disclosure of RITEK Corporation and its subsidiaries regarding revenue recognition. Please refer to note 4 and 6 of individual financial statements.

Other matters- referring to the audit of other certified public accountant

The financial statements of some investees included in the individual financial statements of RITEK Corporation were audited by other certified public accountants. Therefore, in our opinions of preceding individual financial statements, the amounts listed in the financial statements of such investees were based on the audit reports of other CPAs. The investment on investees under equity method as of December 31, 2020 and 2019 were NT\$ 420,153,000 and NT\$ 526,054,000 respectively, accounting for 4% and 6% of total assets. The profit and loss of subsidiaries, affiliates and venture capital recognized under equity method in the period from January 1 to December 31, 2020 and 2019 were (NT\$ 31,277,000) and (NT\$ 35,264,000) respectively, accounting for 3% and 2% of consolidated net loss before income tax. The other comprehensive income of subsidiaries, affiliates and venture capital recognized under equity method in the period from January 1 to December 31, 2020 and 2019 were NT\$ (22,678,000) and NT\$ 22,555,000 respectively, accounting for 22% and 56% of net other comprehensive income.

Responsibilities of Management and those Charged With Governance for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of RITEK Corporation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate RITEK Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of RITEK Corporation (including the audit committee) are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of RITEK Corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of RITEK Corporation to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause RITEK Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of RITEK Corporation for 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Earnest & Young
Financial Report of Public Company as Approved by
Competent Authority
Audit File No.:
(93) Jing-Guan-Cheng (VI) No. 0930133943
(100) Jing-Guan-Cheng (Shan) No. 1000002854

Hsu, Jung-Huang

CPA :



Tu, Chia-Ling



March 26, 2021

Unit: NTS thousand dollars

Code	Assets Accounts	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	VI.1	\$505,171	5	\$673,943	6
1110	Financial assets at fair value through profit or loss-current	VI.2	60,972	1	50,451	-
1136	Financial assets measured at amortized cost-current	VI.4 and VIII	53,800	1	53,743	-
1147	Investments in Debt Securities with No Active Market-current	VI.6 and VIII	-	-	-	-
1150	Net notes receivable	VI.5, VI.20	3,733	-	4,055	-
1160	Net accounts receivable-related parties		1,097	-	-	-
1170	Net accounts receivable	VI.6, VI.20 and VII	311,330	3	466,313	4
1180	Net accounts receivable-related parties	VI.6, VI.20 and VIII	200,563	2	470,939	4
1200	Other receivables	VI.26, VI.20 and VII	12,700	-	14,541	-
1210	Other receivables-related parties	VI.20	19,643	-	7,478	-
130x	Inventory	VI.7	632,205	6	996,483	8
1410	Advance payment		64,134	1	8,120	-
1470	Other current assets	VII	1,358	-	2,776	-
11xx	Total current assets		1,866,706	19	2,748,842	22
	Non-current assets					
1517	Financial assets at fair value through other comprehensive profit and loss-Non-	VI.3 and VIII	101,112	1	80,400	1
1550	Investments accounted for using equity method	VI.8 and VIII	5,419,239	54	6,020,656	50
1600	Property, plant and equipment	VI.9 and VIII	2,289,233	23	2,352,069	20
1755	right-of-use asset	VI.21 and VII	111,840	1	130,789	1
1760	Net investment property	VI.10 and VIII	66,157	1	59,237	1
1780	Intangible assets	VI.11	9,342	-	12,644	-
1840	Deferred tax assets	VI.26	-	-	-	-
1900	Other non-current assets	VI.12	30,335	-	47,471	-
1942	Long-term receivables-related parties	VII	85,300	1	600,608	5
1970	Other long-term investments		-	-	-	-
15xx	Total non-current assets		8,112,558	81	9,303,874	78
lxxx	Total assets		\$9,979,264	100	\$12,052,716	100

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu


 RICE Technology (C.) Ltd.
 Balance Sheet (continued)
 December 31, 2020 and December 31, 2019

Unit: NT\$1000

Code	Liabilities and Equity		December 31, 2020		December 31, 2019	
	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	VI.13 and VIII	\$970,774	10	\$1,051,275	9
2110	Short-term notes and bills payable	VI.14	24,959	-	24,993	-
2120	Financial liabilities at fair value through profit or loss-current		-	-	11,845	-
2150	Notes payable		29,101	-	37,147	-
2160	Notes payable-related parties	VII	13,949	-	209,257	2
2170	Accounts payable		184,153	2	247,251	2
2180	Accounts payable-related parties	VII	9,592	-	20,825	-
2200	Other payables	VII	319,349	3	685,585	6
2280	Lease liabilities- current	VI.21 and VII	14,538	-	16,707	-
2300	Other current liabilities	VI.19 and VII	91,147	1	55,683	-
2320	Long-term liabilities maturing within one year or one operating	VI.16 and VIII	483,039	5	452,063	4
2355	Lease payable-current	VI.17 and VII	-	-	-	-
21xx	Total current liabilities		2,140,601	21	2,812,631	23
	Non-current liabilities					
2540	Long-term loans	VI.16 and VIII	1,579,526	16	1,995,702	17
2570	Deferred tax liabilities	VI.26	-	-	-	-
2580	Lease liabilities — Non-current	VI.21 and VII	101,477	1	117,534	1
2613	Lease payable-noncurrent	VI.17 and VII	-	-	-	-
2640	Net defined benefit liabilities-noncurrent	VI.17	96,833	1	114,379	1
2670	Other non-current liabilities	VI.8	36,494	-	4,959	-
25xx	Total non-current liabilities		1,814,330	18	2,232,574	19
2xxx	Total liabilities		3,954,931	39	5,045,205	42
	Owner's equity					
3100	Capital stock	VI.18				
3110	Common stock		6,936,797	70	12,841,579	107
	Total of share capital		-	-	-	-
3200	Capital surplus	VI.18	1,147,123	11	1,129,918	9
3300	Retained earnings	VI.18				
3350	Loss to be made up		(891,794)	(9)	(5,904,783)	(49)
	Total of retained earnings		-	-	-	-
3400	Other owner's equity		(1,167,793)	(11)	(1,059,203)	(9)
3500	Treasury shares	VI.21	-	-	-	-
3xxx	Total owner's equity		6,024,333	61	7,007,511	58
	Total liabilities and owner's equity		\$9,979,264	100	\$12,052,716	100

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu


 RITEK Technology Co., Ltd.
 Statement of Comprehensive Income
 From January 1 to December 31 of 2020 and 2019

Unit: NT\$ thousand dollar

Code	Accounts	Notes	The year of 2020		The year of 2019	
			Amount	%	Amount	%
4000	Operating income	VI.19 and VII	\$2,831,898	100	\$4,224,977	100
5000	Operating costs	VI.7, VI.22 and VII	2,787,798	98	4,167,857	99
5900	Operating gross loss		44,100	2	57,120	1
5920	Realized sales benefit (loss)		(19,723)	(1)	(14,311)	-
5950	Net operating gross loss		24,377	1	42,809	1
6000	Operating expenses	VI.22 and VII				
6100	Selling expenses		147,092	5	162,897	4
6200	General and administration expenses		95,416	3	110,161	3
6300	Research and development expenses		37,392	1	39,535	1
6450	Expected credit impairment benefits	VI.20	(5,600)	-	52,751	1
	Total operating expenses		274,300	9	365,344	9
6900	Operating loss		(249,923)	(8)	(322,535)	(8)
7000	Non-operating income and expenditure	VI.23 and VII				
7100	Interest income		17,370	1	12,682	-
7010	Other income		39,196	1	31,837	1
7020	Other profit and loss		(102,835)	(3)	(300,540)	(6)
7050	Financial costs		(68,734)	(2)	(87,281)	(2)
7055	Expected credit impairment loss	VI.21	-	-	-	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI.8	(532,460)	(19)	(1,534,571)	(36)
	Total non-operating income and expenditure		(647,463)	(23)	(1,877,873)	(43)
7900	Net loss before tax		(897,386)	(31)	(2,200,408)	(51)
7950	Income tax expense	VI.25	-	-	(54,499)	(1)
8200	Net loss for the year		(897,386)	(31)	(2,254,907)	(52)
8300	Other comprehensive gain and loss	VI.24				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		9,611	-	(6,729)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive gain(loss)		20,712	1	12,904	-
8330	Share of other comprehensive gain(loss) of subsidiary, associates and joint ventures accounted for using equity method-items that will not be reclassified subsequently to profit or loss		(54,437)	(2)	28,627	1
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss		-	-	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8380	Share of other comprehensive gain(loss) of subsidiary, associates and joint ventures accounted for using equity method-items that may	VI.8	(78,883)	(3)	(75,055)	(2)
8399	Income tax relating to the items that may be reclassified subsequently to profit or loss	VI.25	-	-	-	-
	Other comprehensive income for the year (net of income tax)		(102,997)	(4)	(40,253)	(1)
8500	Total comprehensive income for the year		<u>\$(1,000,383)</u>	<u>(35)</u>	<u>\$(2,295,160)</u>	<u>(53)</u>
	Loss per share (NT\$)	VI.26				
9750	Basic loss per share					
	Net loss for the year		<u>\$(1.29)</u>		<u>\$(3.25)</u>	

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu



RICEK Technology Co., Ltd.
 Statements of changes in equity
 From January 1 to December 31 of 2020 and 2019
 (Review only without audit unless general accepted audit standards)

Unit: NTS1000

Item	Capital stock	Capital surplus	Loss to be covered	Other equity		Total equity
				Exchange difference on translation of financial statements of foreign operations	Unrealized gains/losses on financial assets at fair value through other comprehensive income	
	3100	3200	3350	3410	3420	3XXX
Balance as of January 1, 2019						\$-
Effects of retroactive application and retroactive restatement						-
Balance as of January 1, 2019	\$12,841,579	\$950,835	\$(3,583,955)	\$(629,035)	\$(409,674)	\$9,169,750
Change in other capital surplus						
Change in associates and joint venture recognized by using equity method	-	-	-	-	-	-
Net loss in 2018	-	-	(2,254,907)	-	-	(2,254,907)
Other comprehensive income in 2018	-	-	(17,185)	(75,055)	51,987	(40,253)
Total comprehensive income	-	-	(2,272,092)	(75,055)	51,987	(2,295,160)
Capital reduction for covering loss	-	-	-	-	-	-
The shares of parent company disposed by a subsidiary are deemed as treasury stock transaction	-	-	-	-	-	-
Increase or decrease of non-controlling equity	-	-	-	-	-	-
Cancellation of treasury stock	-	-	-	-	-	-
The shares of subsidiary actually acquired or disposed	-	1,503	-	-	-	1,503
Change in the ownership of subsidiary	-	177,580	(46,162)	-	-	131,418
The disposal of equity instrument measured at fair value through other comprehensive income	-	-	(2,574)	-	2,574	-
Balance as of December 31, 2019	\$12,841,579	\$1,129,918	\$(5,904,783)	\$(704,090)	\$(355,113)	\$7,007,511
Balance as of January 1, 2020	\$12,841,579	\$1,129,918	\$(5,904,783)	\$(704,090)	\$(355,113)	\$7,007,511
Effects of retroactive application and retroactive restatement	-	-	-	-	-	-
Balance after restatement as of January 1, 2019	12,841,579	1,129,918	(5,904,783)	(704,090)	(355,113)	7,007,511
Change in other capital surplus						
Arising from acceptance of consolidated						
Arising from acceptance of gift						
The equity component recognized due to issuance of convertible corporate bond – from option						
Change in associates and joint venture recognized by using equity method	-	-	-	-	-	-
Covering loss via capital surplus	-	-	-	-	-	-
Net loss in 2020	-	-	(897,386)	-	-	(897,386)
Other comprehensive income in 2020	-	-	6,004	(78,883)	(30,118)	(102,997)
Total comprehensive income	-	-	(891,382)	(78,883)	(30,118)	(1,000,383)
Capital reduction for covering loss	(5,904,782)	-	5,904,782	-	-	-
Cancellation of treasury stock	-	-	-	-	-	-
The shares of parent company disposed by a subsidiary are deemed as treasury stock transaction	-	-	-	-	-	-
The shares of subsidiary actually acquired or disposed	-	44,800	-	-	-	44,800
Change in the ownership of subsidiary	-	(27,595)	-	-	-	(27,595)
The disposal of equity instrument measured at fair value through other comprehensive income	-	-	(411)	-	411	-
Balance as of December 31, 2020	\$6,936,797	\$1,147,123	\$(891,794)	\$(782,973)	\$(384,820)	\$6,024,333

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

RITEK CORPORATION
Notes to Individual Financial Statements
January 1 to December 31, 2020
And January 1 to December 31, 2019
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

I. Company History

RITEK CORPORATION (hereinafter referred to as the Company) was established in December 1988, whose main business includes the manufacturing process and material sales and import and export business of the optical information products, memory products and related production equipment (including the peripheral). The Company stock has been listed on the Taiwan Stock Exchange since April 1996, whose domicile and major operating base is located in No. 42, North Kuang-Fu Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County.

II. Date and Procedure Passing the Financial Statements

Individual Financial Statements of the Company were passed and issued by the Board of Directors on March 27, 2021.

III. Application of Newly-Issued and Revised Criteria and Interpretations

1. Accounting policy changes caused by the first application of International Financial Reporting Standards

The Company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations or Interpretation Notice (IFRIC) approved by Financial Supervisory Commission (hereinafter referred to as FSC) in the accounting years from January 1, 2018; except for the following new criteria and corrective and influential interpretations, the rest first applications have no great influence to the Company:

2. The Company has not adopted the following IASB issued and FSC approved newly issued, revised and amended criteria or interpretations:

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)	January 1, 2021

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

(1) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)

The finalization of phase 2 mainly focus on the effects of interest rate benchmark reform to financial statements of entities, including:

- A. For change in basis determining contractual cash flow of financial instrument as required by interest rate benchmark reform, the carrying amount of financial instrument will not be derecognized or adjusted but an effective interest rate is updated to reflect the change in alternative benchmark interest rate;
- B. When the hedge still meets the regulations of hedge accounting, the hedge accounting would not discontinue solely because of the interest rate benchmark reform; and
- C. The new risks derived from the reform and how to manage the transition to alternative benchmark interest rate shall be disclosed.

The Company assesses that the amendment applied to fiscal years after the adoption since January 1, 2021 would not have material affection to the Company.

3. Up to the date of approval of the financial statements, the Company has not adopted the following newly issued, revised and amended criteria or interpretation issued by IASB but not approved by FSC:

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – asset sale or investment between the investor and its affiliates or joint ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)	January 1, 2023
4	Amendments to IFRS Reference to the Conceptual Framework, including the amendments to IFRS 3, IAS 16 and IAS 37 and annual improvement	January 1, 2022
5	Disclosure Initiative—accounting policies (amendments to IAS 7)	January 1, 2023
6	Definition of Accounting Estimate (amendments to IAS 8)	January 1, 2023

- (1) Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

“Investments in Associates and Joint Ventures” – asset sale or investment between the investor and its affiliates or joint ventures

This plan is to deal with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" concerning the loss of control of affiliated enterprises or joint ventures through the investment of subsidiaries. IAS 28 stipulates that when investing the non-monetary assets to exchange for the equity of affiliated enterprises or joint ventures, the share of profit or loss generated shall be written off in accordance with the downstream transaction processing method; while IFRS 10 stipulates that all benefits or losses arising from the loss of control over the subsidiaries shall be recognized. This amendment limits the foregoing provision in IAS 28 to the extent that the benefits or losses arising from the sale or investment of business assets as defined in IFRS 3 shall be fully recognized.

This amendment also modifies IFRS 10 so that, in the event that the sale or investment between the investor and its affiliates or joint ventures does not constitute the business subsidiary as defined in IFRS 3, the profit or loss arising therefrom shall be recognized only in the scope of shares not enjoyed by the investor.

(2) IFRS 17 “Insurance Contracts”

This criterion provides the comprehensive model of Insurance Contracts, including all accounting related parts (recognition, measurement, expression and disclosure principles). The core of this criterion is the general model. Under this model, the original recognition measures the Insurance Contracts group by the sum of performance cash flow and contract service margin, in which the performance cash flow includes:

- A. Future cash flow estimates
- B. Discount rate: reflecting the adjustment of time value of money and the financial risk related to future cash flow (which is not included in the estimated value of future cash flow); and
- C. Risk adjustment for non-financial risks

Book amount of the insurance contract group at the end of each reporting period is the sum of the remaining insurance liabilities and claim liabilities incurred.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

In addition to the general model, it also provides:

- A. Specific applicable method with direct participation of featured contracts (variable fee method)
- B. Simplified method of short-term contracts (premium sharing method)

After the promulgation of this standard in May 2017, the amendment was promulgated in June 2020. In addition to defer this transit clause for 2 years (i.e. deferred from original January 1 2021 to January 1, 2023) and provide additional exemption, some regulations are simplified to reduce the costs for adoption of this standard and some regulations are revised for easier interpretation of some conditions. The effectiveness of this standard will replace the transit standard (i.e. IFRS 4 “Insurance Contract”)

- (3) Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)
This is amendment to classification of liabilities from section 69 to section 76 of IAS 1 “Expression of Financial Statement” as current or noncurrent.
- (4) Amendments to IFRS Reference to the Conceptual Framework, including the amendments to IFRS 3, IFRS 16 and IAS 37 and annual improvement
 - A. Update the reference to conceptual framework (amendments to IFRS 3)
This amendment is to update IFRS 3 to require an entity to refer instead to a later version issued in March 2018. There is also an additional exception of recognition to avoid the possible gain or loss on “second day” arising from liabilities or contingent liabilities. In addition, it is to clarify the existing reference of continent assets not affected by the replacement of framework reference.
 - B. Property, plant and equipment: the gain before intended use (amendments to IAS 16)
The amendment prohibits deducting from the cost of an item of property, plant and equipment (PPE) the proceeds from selling items produced while making that item of PPE available for use. Consequently, an entity should recognise the proceeds from selling any such items, and the cost of producing those items, in profit or loss.
 - C. Onerous contract—cost of fulfilling a contract (amendments to IAS 37)
The amendment clarifies the costs a company should include as cost of fulfilling a contract when assessing whether a contract is onerous
 - D. Annual improvements to IFRS standards 2018-2020

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Amendments to IFRS 1

The amendment to IFRS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendments to IFRS 9 “Financial Instruments”

The amendment clarifies the expenses to be included of an entity as assessing whether the terms of new contract or revised clause of financial liabilities have significant difference with original financial liabilities

Amendments to illustrative example of IFRS 16 “Lease”

This is amendment to the lease incentive in related with the leasehold improvement of lessee in illustrative example 13

Amendments to IAS 41

The amendment to IAS 41 removed a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards

(5) Disclosure Initiative—accounting policies (amendments to IAS 1)

This amendment is to improve the disclosure of accounting policies, providing investors and other users of financial statements with more useful information.

(6) Definition of Accounting Estimate (amendments to IAS 8)

This amendment directly defines the accounting estimate and makes other revisions on IAS 8 “Accounting Policies, Changes in Accounting Estimate and Errors” that help entities to distinguish between accounting policies and accounting estimates.

The standards or interpretation above are issued by IASB but not endorsed by FSC. The actual effective date shall be governed by FSC. Except for potential effects of the newly issued or revised standards (1), (3) and (6) now in evaluation of the Company which the impacts cannot be reasonably estimated temporarily, all remaining standards or interpretations newly issued or revised are without material impact to the Company.

IV. Summary Statement of Major Accounting Policies

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

1. Compliance declaration

The accompanying 2020 and 2019 parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Preparation basis

According to Article 21 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the Company account for subsidiaries by using the equity method and make evaluation adjustment as necessary.

3. Foreign currency transaction

Individual financial statements of the Company are expressed in the Company's functional currency NT\$.

Transactions in foreign currencies are converted into the functional currency at the exchange rate of the trading day. In every end day of the reporting period, the foreign currency monetary items are converted by the closing exchange rate of that day; if measuring the foreign currency non-monetary items at the fair value, it shall be converted at the exchange rate of that day measured by the fair value; if measuring the foreign currency non-monetary items at the historical cost, it shall be converted at the exchange rate of original trading day.

Except as described below, the exchange difference arising from the delivery or conversion of monetary items shall be recognized as the profit or loss in the current period:

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

- (1) For the borrowing in foreign currencies incurred to acquire the required assets, if the exchange difference incurred for the borrowing is deemed as the adjustment of interest cost, it shall be part of the Borrowing Cost and capitalized as the asset cost.
- (2) The items in foreign currency applicable to IFRS 9 shall be recognized by using accounting policies for financial instruments
- (3) For the monetary item as part of the net investment in foreign operating institutes by the reporting entity, the exchange difference generated is initially recognized as other comprehensive profit or loss, and when disposing the net investment, it shall be reclassified from the equity to the profit or loss.

When the profit or loss of non-monetary item is recognized as other comprehensive profit or loss, any exchange component of such profit or loss shall be recognized as other comprehensive profit or loss. When the profit or loss of non-monetary item is recognized as the profit or loss, any exchange component of such profit or loss shall be recognized as the profit or loss.

4. Conversion of financial statements in foreign currency

The assets and liabilities of every foreign operating institute of the Company shall be converted into NT\$ at the closing exchange rate of the balance sheet day, and the income and fee loss item shall be converted at the current average exchange rate. The exchange difference due to the conversion shall be recognized as other comprehensive profit or loss, and when disposing the foreign operating institute, those previously recognized as other comprehensive profit or loss shall be accumulated in the equity to form the separate part of the accumulated exchange difference; in the case of the recognition and disposal of the profit or loss, it shall be reclassified from the equity to the profit or loss. When involving in the partial disposal including the loss of control of the subsidiary of the foreign operating institute, and after the partial disposal including the affiliated enterprises or joint arrangements' equity of the foreign operating institute, if the reserved equity are the financial assets of the foreign operating institute, the disposal shall also apply.

When the Company disposes partial subsidiaries including foreign operating institute, the accumulated difference of translation will be recognized proportionally as adjustment of "investment by using equity method" instead of profit and loss. In condition of not losing material influence or joint control, partial disposal of

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

associate of entity under joint control including foreign operating institute, the accumulated difference of translation shall be reclassified in profit and loss proportionally.

When the Company acquires the goodwill from purchasing the foreign operating institute and make adjustment to the fair value of the book amount of its assets and liabilities, it shall be deemed as the assets and liabilities of the foreign operating institute, and shall be reported in its functional currency.

5. Classification criteria for assets and liabilities distinguishing the current and non-current

In any condition below, it shall be classified as the current asset; if not the current asset, it shall be classified as the non-current asset:

- (1) The asset is expected to be realized in its normal business cycle, or it is intended to be sold or consumed.
- (2) To hold the asset primarily for trading purposes.
- (3) The asset is expected to be realized within 12 months after the reporting period.
- (4) Cash or equivalent cash, except where there are restrictions on the exchange of such assets or the use of them for the settlement of liabilities at least 12 months after the reporting period.

In any condition below, it shall be classified as the current liability; if not the current liability, it shall be classified as the non-current liability:

- (1) It is expected to pay off the liability in its normal business cycle.
- (2) To hold the liability primarily for trading purposes.
- (3) It is expected to repay the liability within 12 months after the reporting period.
- (4) The repayment period of the liability cannot be extended unconditionally to at least 12 months after the reporting period. The liability clause, which may lead to the issuance of equity instrument at the option of the counterparty, does not affect the classification.

6. Cash and cash equivalent

The cash and cash equivalent are the stock cash, current deposit, and fixed deposit or investment that can be converted into fixed cash at any time, with little risk of value change, in short term, and with highly liquidity.

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

7. Financial instruments

The financial assets and financial liabilities shall be recognized when the Company becomes one party of the financial instrument contract.

The financial assets and liabilities applicable to IFRS 9 “Financial Instruments” are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(1) Recognition and measurement of financial assets

The recognition and derecognition of all conventionally traded financial assets of the Company shall adopt the accounting treatment on the trading day.

Based on the following two items, the Company classifies the financial assets into the financial assets measured at the subsequent amortized cost, and the financial assets measured at the fair value through other comprehensive profit or loss or at the fair value through profit or loss:

- A. Business model managing the financial assets
- B. Cash flow characteristics of financial asset contracts

Financial assets measured at amortized cost

Financial assets conforming to the following two conditions are measured at the amortized cost and are listed on the balance sheet in the items such as the bill receivable, account receivable, financial assets measured at amortized cost and other receivables:

- A. Business model managing the financial assets: holding the financial assets to collect the contract cash flow
- B. Cash flow characteristics of financial asset contracts: the cash flow is entirely for the payment of principal and interest on the outstanding principal amount

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Such financial assets (not including those involving the hedging relationship) are measured at subsequent amortized cost [measuring the amount in the original recognition, deducting the repaid principal, adding or reducing the cumulative amortization of difference between the original amount and the amount due (using the effective interest method), and adjusting the allowance for damage]. In addition to the column, through the amortization process or when recognizing the impairment profit or loss, the profit or loss shall be recognized in the profit or loss.

Interest shall be calculated by the effective interest method (multiplying the effective interest rate by the total book amount of financial assets) or in the following cases, and then it shall be recognized as the profit or loss:

- A. For financial assets of acquired or created credit impairment, multiplying the effective interest rate of credit after adjustment by the amortized cost of financial assets
- B. If not the former, but becoming the credit impairment later, multiplying the effective interest rate by the amortized cost of financial assets

Financial assets measured at fair value through other comprehensive profit or loss

Financial assets conforming to the following two conditions are measured at the fair value through other comprehensive profit or loss, and are listed on the balance sheet in the financial assets measured at fair value through other comprehensive profit or loss:

- A. Business model managing the financial assets: collecting the contract cash flow and selling the financial assets
- B. Cash flow characteristics of financial asset contracts: the cash flow is entirely for the payment of principal and interest on the outstanding principal amount

Such financial assets related profit or loss recognition are described as below:

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

- A. Before listing or reclassification, except for the impairment profit or loss and foreign currency exchange profit or loss recognized in the profit or loss, the rest profit or loss shall be recognized as other comprehensive profit or loss
- B. In the case of exception, the accumulated profit or loss previously recognized in other comprehensive profit or loss shall be reclassified and adjusted from the equity to the profit or loss
- C. Interests calculated by the effective interest method (multiplying the effective interest rate by the total book amount of financial assets) or in the following cases, shall be recognized as the profit or loss:
 - (a) For financial assets of acquired or created credit impairment, multiplying the effective interest rate of credit after adjustment by the amortized cost of financial assets
 - (b) If not the former, but becoming the credit impairment, multiplying the effective interest rate by the amortized cost of financial assets

Furthermore, for the equity instrument within the scope of IFRS 9 and being neither held for transaction nor used with the recognition or consideration by the purchaser in IFRS 3 Business Combinations, at the time of the original recognition, it selects (irrevocably) to list the changes of its subsequent fair value in other comprehensive profit or loss. The amount listed in other comprehensive profit or loss shall not be transferred to the profit or loss (when the equity instruments are disposed, the accumulated amount of other equity items will be included and directly transferred to the retained surplus); in addition, the financial assets measured at fair value through other comprehensive profit or loss are listed in the balance sheet. Investment dividends are recognized in the profit or loss, unless the dividends clearly represent the recovery of partial investment costs.

Financial assets measured at fair value through profit or loss

Except for above conforming to specific conditions and measured at amortized cost or at fair value through other comprehensive profit or loss, the rest financial assets are measured at fair value through profit or loss, and are list on the balance sheet in the financial assets at fair value through profit or loss.

Such financial assets shall be measured at fair value, and the profit or loss

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

generated by remeasurement shall be recognized as the profit or loss. Such recognition as the profit or loss shall include any dividends or interest received by such financial assets.

(2) Impairment of financial assets

A loss allowance for expected credit loss is recognized for investments in debt instruments that are measured at FVTOCI and financial assets at amortized cost. The loss allowance for investments in debt instruments that are measured at FVTOCI is recognized as other comprehensive income without decreasing the book value of such investment.

The Company measures expected credit loss by reflecting items as follows:

- A. Determine the unbiased amount reflecting a probability-weighted outcome of various possible results
- B. The time value of money
- C. The reasonable and evidenced information of event in the past, current conditions and forecast of future economic conditions (could be acquired on balance sheet date without excess costs or contribution)

The approaches of measuring loss allowance are as follows:

- A. Amount measured at 12-month expected credit loss: including non-significant increase of credit risks of financial assets after initial recognition, or assets determined as low credit risks on balance sheet date. In addition, it also includes expected credit loss allowance for lifetime in previous reporting period but no longer satisfy significant increase of credit risk after initial recognition as of this balance sheet date
- B. Amount measured at lifetime expected credit loss: including significant increase of credit risk on financial assets after initial recognition or financial assets with credit impairment as purchasing or at the beginning.
- C. For account receivables or contractual assets derived from transactions within the scope of IFRS 15, the Company measures loss allowances based on lifetime expected credit loss
- D. For lease receivable derived from transactions within the scope of IFRS 16 (IAS 17 before January 1, 2019), the Company measures loss allowances based on lifetime expected credit loss

The Company compares the change of default risks on financial instruments between the balance sheet date and initial recognition date assesses on every balance sheet date to assess if the credit risks of financial instruments are significantly increased after the initial recognition. Please refer to note 12 for credit risks related information in details.

(3) Derecognition of financial assets:

The Company derecognizes a financial asset in one of following

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

circumstances:

- A. When the contractual rights to the cash flows from the financial asset expire
- B. When it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.
- C. Neither transfer nor reserve all the risks and rewards of ownership of the financial asset, but the control over the asset has been transferred.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

(4) Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial assets measured at fair value through profit or loss

The financial assets measured at fair value through profit or loss include those held for trading and those appointed to be measured at fair value through profit or loss.

When conforming to one of the following conditions, it is classified as held for

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

trading:

- A. The main purpose is to sell in the short term;
- B. At the time of the original recognition, it is part of identifiable financial instrument portfolio of the consolidation management, and there is evidence that the portfolio is the short-term profit-taking pattern; or
- C. It is the derivative instrument (except the financial guarantee contract or derivative instrument designated as effective hedge instrument).

For the financial instrument contracts containing one or more embedded derivative contracts, the overall mixed (combined) contract can be specified as the financial assets measured at fair value through profit or loss; or when conforming to any information below and can be provided by relevant information, it is specified as the "profit or loss as measured at fair value" in the original recognition:

- A. The designation may derecognize or substantially reduce the measurement or recognition inconsistencies; or
- B. A set of financial assets, financial liabilities or both, are managed and evaluated the performance on the fair value basis, in accordance with the written risk management or investment strategy, and the incorporated company provides the information on the investment portfolio to the management, also on the fair value basis.

Financial liabilities with any gains or losses arising on remeasurement recognized in profit or loss. The profit or loss recognized includes any interest paid for such financial liability.

Financial liabilities measured at amortized costs

The financial liabilities measured at amortized costs include accounts payable and loans. After the initial recognition, financial liabilities are subsequently measured at amortized cost using effective interest method. When the financial liability is derecognized and amortized by using effective interest method, the relevant profit and loss and amortized amount are recognized in profit and loss. The calculation of amortized costs takes the depreciation or premium and transaction costs of acquisition into consideration.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, the Company's

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

obligations are discharged, cancelled or they expire.

When the Company exchanges the debt instruments with material difference among the creditors or has significant revision on all or partial provisions aiming at current financial liabilities (regardless whether it is financial difficulty), the original liabilities are derecognized and new debts will be recognized. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offset of financial asset and liability

Financial assets and financial liabilities shall be set off against each other and shown on the balance sheet in a net amount only if the recognized amount is currently in the exercise of the legal right of set-off and the intention to deliver the assets on the net amount basis or realize the assets and liquidate the liabilities at the same time.

8. Derivative instruments

The derivative instruments held or issued by the Company are for the purpose of avoiding the exchange rate risks and interest rate risks, and those designated and effectively hedged are reported on the balance sheet as the hedged derivative assets or liabilities; the others not specified and effectively hedged are listed in the financial assets or financial liabilities measured at fair value through profit or loss.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value. The derivative financial instrument is recognized as financial asset when its fair value is positive and recognized as financial liabilities when the fair value is negative. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

When the host contract is for non-financial asset or liability and the derivative instruments embedded in the host contract is not closely connected with host contract in term of its economic features and risks and the host contract is not

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

measured at fair value through profit and loss, such embedded instrument shall be deemed as independent derivative instrument.

9. Fair value measurement

Fair value refers to the price that the market participants can charge for the sale of an asset in an orderly transaction or pay for the transfer of a liability on the measurement day. Fair value measurement assumes that the sale of an asset or the transfer of a liability occurs in one of the following markets:

- (1) the principal market for the asset or liability, or
- (2) where there is no principal market, in which the asset or liability market is most favourable

The principal or most advantageous market must be available for the group to enter and trade.

The fair value measurement of assets or liabilities uses the assumption when the market participants price the assets or liabilities, which is made based on the economic best interests.

Non-financial assets fair value measurement considers the ability of market participant to generate the economic benefit by using the asset for its maximum and best use or by selling the asset to another market participant for its maximum and best use.

The Company uses the evaluation technique appropriate to relevant situation and with sufficient data available to measure the fair value, and maximizes the use of observable input values and minimizes the use of unobservable input values.

10. Inventory

Inventory is evaluated by the method of lower cost versus net realized value, item by item.

Cost refers to the cost incurred to make the inventory available for sale or production and in place:

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Raw materials – adopting the moving weighted average method based on actual purchase cost

Finished goods and goods in process – including the direct raw materials, labour costs and fixed factory overhead at normal capacity, but excluding the Borrowing Cost.

Net realized value is the balance of the estimated selling price deducting the required cost of completion and sales expenses under normal circumstances.

11. Investment by equity method

The Company shall make necessary evaluation and adjustment on the investment of its subsidiaries in accordance with the provisions of Article 21 of Security Issuer Financial Reporting Standards by expressing "investment by equity method". In order to make the current profit or loss and other comprehensive profit or loss of Individual Financial Statements be equal to the owner's apportionment amount of the parent company in the compilation of consolidated financial statements based on current profit or loss and other comprehensive profit or loss; and the owner's equity of Individual Financial Statements is the same as that of the parent company in Consolidated Financial Statements. This adjustment is mainly made considering the difference in the handling of the investment in subsidiary in Consolidated Financial Statements in accordance with IFRS 10 'Consolidated Financial Statements' and the application of IFRS to Individual Statements at different reporting levels, and the debit or credit items such as "investment by equity method", "profit or loss share of subsidiary, affiliated enterprises and joint venture by equity method" or "other comprehensive profit or loss share of subsidiary, affiliated enterprises and joint venture by equity method".

The Company's investment in affiliated enterprises shall be treated by the equity method, except for assets for sale. Affiliated enterprises refer to those who are greatly influenced by the Company. Joint ventures refer to the Company has the right to the net assets of the joint arrangements (with joint control).

Under the equity method, the investment in affiliated enterprises or joint ventures listed in the balance sheet, is made in the cost basis plus the amount recognized

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

depending on the shareholding ratio of the Company to the net equity change of affiliated enterprise or joint venture. The book amount of investment to affiliate enterprises or joint ventures and other related long-term equity shall recognize the extra loss and liability after adopting the equity method to reduce to zero, within the scope of legal obligation and constructive obligation or payment for associated enterprises. Where the Company generates the unrealized profit or loss in the transactions with affiliate enterprises or joint ventures, it shall be written off in proportion to its equity in the affiliate enterprises or joint ventures.

When the change in the equity of affiliated enterprise or joint venture is not caused by the profit or loss or other comprehensive profit or loss items and does not affect the Company's shareholding ratio, the Company shall recognize the change in relevant ownership according to the shareholding ratio. Therefore, when handling the capital reserve recognized of the affiliated enterprise or joint venture in the future, it shall be transferred to the profit or loss according to the disposal ratio.

Where the Company does not subscribe for additional shares in the affiliated enterprise or joint venture in accordance with its shareholding ratio, resulting in the change in the investment ratio, and thus the increase or decrease in the Company's net assets held by the affiliated enterprise or joint venture, the increase or decrease shall be adjusted by the "capital reserve" and "investment by equity method". When the investment ratio changes decreasingly, related items previously recognized in other comprehensive profit or loss shall be reclassified to the profit or loss or other appropriate items according to the decrease ratio. When the aforesaid capital reserves are placed in the subsequent disposal of affiliated enterprises or joint ventures, it shall be transferred to the profit or loss according to the disposal ratio.

The financial statements of the affiliated enterprise or joint venture are prepared during the same reporting period as the Group, and are adjusted to align their accounting policies with those of the Company.

The Company shall, at the end of each reporting period, confirm whether there is objective evidence of impairment from the investment to affiliated enterprises or joint ventures pursuant to IAS 28 "Investments in Associates and Joint Ventures". If there is objective evidence of impairment, the Company shall calculate the amount of impairment based on the difference between the recoverable amount and the book amount of the affiliated enterprise or joint venture in accordance with IAS 36

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

"Asset Impairment", and recognize the amount in the profit or loss of the affiliated enterprise or joint venture. If the investment use value is adopted for the aforementioned recoverable amount, the Company shall determine relevant use value based on the following estimation:

- (1) the present value share of estimated future cash flow generated by the Company's affiliated enterprises or joint ventures, including the cash flow generated by the operation of the affiliated enterprises or joint ventures and the final disposal income of the investment; or
- (2) the expected received dividends from the investment and the present value of the estimated future cash flows generated from the final disposal of the investment.

The goodwill item of book amount, which constitutes the investment in affiliated enterprise or joint venture, is not separately recognized, so it is not necessary to apply IAS 36 "Asset Impairment" for goodwill impairment test.

In case of loss of significant impact on affiliated enterprises or joint control to joint ventures, the Company shall measure and recognize the retained investment part at fair value. In the event of the loss of significant influence or joint control, the difference between the book amount of the affiliated enterprise or joint venture and the disposal price added to the fair value of the retained investment shall be deemed as the profit and loss. In addition, when the investment of affiliated enterprise becomes the investment of joint venture, or the investment of joint venture becomes the investment of affiliated enterprise, the Company shall continue to apply the equity method without remeasuring the retained equity.

12. Property, plant and equipment

Property, plant and equipment are recognized based on the acquisition cost, and listed after deducting the accumulative depreciation and accumulative impairment; these costs include the property, plant and equipment disassembly, removal, and recovery cost in the location and the interest necessary to indemnify for the construction in process. If the constitution of property, plant and equipment is significant, it shall separately list the depreciation. When the main items of property, plant and equipment shall be reset on the regular basis, the Company shall deem the item as individual asset and recognize in accordance with the specific durable years and depreciation method respectively. The book amount of the reset

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

part shall be derecognized according to IAS 16 "Property, plant and equipment". If the major maintenance costs meet the recognition conditions, it shall be deemed as the replacement costs and shall be recognized as part of the plant and equipment book amount, and other repair and maintenance expenses shall be recognized as the profit or loss.

Depreciation is calculated on the straight-line basis according to the estimated durable years of the following assets:

Buildings and structures	10~46 years(main structure of the building of 46 years, decoration of 10~15 years)
Machinery equipment	2~20 years
Transportation equipment	3~5 years
Office equipment	3~10 years
Other equipment	3~10 years
Righ-of-use assets/ lease assets (Note)	3~15 years

After the property, plant and equipment item or any important component is originally recognized, if it is disposed of or there is no economic benefit inflow due to the use or disposal in the future, it shall be derecognized and the profit or loss shall be recognized.

The residual value, durable years and depreciation method of the property, plant and equipment are evaluated at the end of each financial year. If the expected value is different from the previous estimate, the change is regarded as the change of accounting estimate.

13. Investment property

The Company owned investment property is measured at original cost, including transaction costs of acquiring such property. The carrying amount of investment property includes the costs contributed for repair or addition to current investment property, except for general maintenance expenses. After initial recognition, except for properties as satisfactory to the conditions of assets held for sale (or included in the disposition group held for sale) classified in IFRS 5 "Non-current Assets Held

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

for Sale and Discontinued Operations”, the investment properties are measured at costs. According to the handling of such model in IAS 16 “Property, Plant and Equipment”, if it is held by the lessee as right-of-use property and not held for sale as stipulated in IFRS 5, the IFRS 16 shall be adopted.

Depreciation is calculated on the straight-line basis according to the estimated durable years of the following assets:

House and building 10~46 years (main structure of the building of 46 years,
decoration of 10~15 years)

In case of disposal or permanent disuse of investment property and not expected to generate the future economic benefits from disposal, it shall be derecognized and the profit or loss shall be recognized.

The Company shall transfer in or transfer out the investment property according to the actual use of the assets.

When the property conforms to or no longer conforms to the definition of investment property and there is evidence to show the change of use, the Company will transfer into the property as the investment property or transfer out from investment property.

14. Lease

The Company evaluates whether the contract is (or include) lease on the date of concluding the contract. If the contract has transferred the control power of identified assets over a period of time to exchange consideration, then such contract is (or contains) a lease. To evaluate whether the contract has transferred the control power of identified assets over a period of time, the Company assesses if following two conditions occur in entire using period:

- (1) Acquire almost all rights of economic benefits from identified assets; and
- (2) Control the rights of use for identified assets

For a contract that contains a lease component and non-lease component, the

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Company allocates the consideration of contract to lease components on the basis of single price corresponding to each lease component and sum of single price for non-lease components. The single price corresponding to lease and non-lease components depends on the price collected by the lessor (or similar supplier) to such component (or similar component) respectively. The observable single price is unavailable at all times; the maximized observable information is used to estimate such single price.

The Company as a lessee

Except for short-term or low value asset lease, the Company recognizes right-of-use assets and lease liabilities for all leases.

The Company measures lease liabilities based on the present value of lease payables at the commencement date. If the implied interest rate of lease is easily defined, the lease payment is discounted by such interest rate. If such interest rate is uneasily defined, the lessee's incremental borrowing rate is adopted. The lease payment accrued in lease liabilities, including following payments in related with right-of-use of subject property within the lease period unpaid by the commencement date:

- (1) Fixed payment (including physical fixed payment) deducted by any lease incentive collectible;
- (2) The variable lease payment depending on certain index or rate (original measurement by using index or rate at the commencement date);
- (3) The amount to be paid by the lessee with residual guarantee
- (4) The exercise price for purchasing option, if the Company may reasonably assure to exercise such option; and
- (5) The fine must be paid for termination of lease, if the lessee will exercise the option for termination of lease during the lease period

Subsequently, lease liabilities are measured at amortized cost. The increased carrying amount of lease liabilities using the effective interest method is to reflect the interest of lease liability; and the lease payment will reduce the carrying amount of lease liabilities.

Right-of-use assets are measured at cost at the commencement date of the lease. The cost of right-of-use assets comprises

- (1) The initial measurement of lease liabilities
- (2) The lease payments made at or before the commencement date deducted by any

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

lease incentive collected

(3) Any initial direct costs of the lessee; and

(4) The estimate of costs needed to demolish, remove subject assets and restoration of the site, or restore the underlying assets.

Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss, i.e. cost model is applicable to measure the right-of-use properties.

If the ownership of subject property will be transferred to the Company upon the expiration of lease period, the right-of-property property will be depreciated from the commencement date until the useful lives of subject property is expired when the costs of right-of-use property reflects that the Company will exercise the call option. Otherwise, the Company will depreciate the right-of-use property from the commencement date until the useful lives or lease period of subject property is expired, which one is earlier.

The Company applies IAS 36 “Assets Impairment” to determine whether the right-of-use property has been impaired and manage any identified impairment loss Except for qualified and selected short-term leases or low value target asset, the Company recognizes right-of-use assets and lease liabilities in balance sheet and recognizes lease relevant depreciation and interest expenses respectively in comprehensive income statement.

For short-term leases or lease of low value target asset, the lease payments of such leases are recognized as expenses over the term of lease.

The Company as a lessor

The Company divides each lease as operating or financing lease at the commencement date of contract. Leases are classified as financing lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the commencement date, the Company recognizes all assets held under financing lease and the net of lease investment is presented as financing lease receivable in balance sheet.

For contract comprises lease and non-lease components, the Company allocates the consideration of contract pursuant to IFRS 15.

The Company recognizes lease payment from operating lease as rental income on straight-line or another systematic basis. For variable lease payments that do not depend on an index or a rate are recognized as rental income in the periods in which

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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they are incurred

15. Intangible asset

Intangible assets obtained separately shall be measured at the cost in the original recognition. The cost of intangible assets acquired through Business Combinations is the fair value on purchasing day. After the original recognition, the book amount of intangible assets is the amount of its costs deducting the accumulative amortization and accumulated impairment. The intangible assets not conforming to the recognition conditions and generated internally shall not be capitalized, and shall be recognized to the profit or loss when incurred.

The durable years of intangible assets can be divided into the limited and indefinite durable years.

The intangible assets with limited durable years are amortized within its durable years, and receive the impairment test when there is the sign of impairment. The amortization period and method for intangible assets with limited durable years shall at least be reviewed at the end of each financial year. If its estimated durable years are different from previous estimates, or the expected consumption pattern of economic benefits in the future has changed, the amortization method or amortization period will be adjusted and deemed as the changes in accounting estimates.

The intangible assets with indefinite durable years shall not be amortized, but shall receive the impairment test in every year in accordance with the individual asset or cash generating unit level. The intangible assets with indefinite durable years shall be evaluated in every period that whether there is any event and circumstance to continue to support the durable years of the asset in the indefinite status. If the durable years is changed from indefinite to limited, the application shall be delayed.

The profit or loss caused by the derecognition of intangible asset shall be recognized to the profit or loss.

Patent right

Patent rights are the rights legally acquired and purchased.

The accounting policies of intangible assets of the Company are summarized as below:

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Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

	<u>Patent right</u>
Durable years	10 years
Applied amortization method	Amortizing during the patent period in the straight-line method
Internal generated or externally acquired	Externally acquired

16. Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there are signs of impairment in all assets applicable to IAS 36 "Asset impairment". Where there is evidence of impairment or the impairment test of any asset is required on the annual basis, the Company will conduct the test on the individual asset or on the cash generating unit to which the asset belongs. Impairment losses are recognized if the book amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount. The recoverable amount is the higher one of the net fair value or the use value.

At the end of each reporting period, the Company evaluates the assets other than the goodwill for any sign that previously recognized impairment losses may have disappeared or decreased. If such sign exists, the Company shall estimate the recoverable amount of the asset or cash generating unit. If the recoverable amount is increased by the change of the estimated service potential of the asset, the impairment will be recovered. However, the book amount after the recovery shall not exceed the book amount deducting the depreciation or amortization of the asset in the condition of not recognizing the impairment loss.

The impairment loss and the number of recovery of continuously operated unit are recognized as the profit and loss.

17. Revenue recognition

Revenues of the Company and from Contracts with Customers are mainly the sales of goods, and the accounting treatments are described below:

Sales of goods

The Company manufactures and sells goods, and recognizes the revenue when

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

transporting the goods to the client and the client has its control (namely, the client leads the use of the goods and acquires almost all of the remaining benefit capacity of the goods); the main products are the optical information service products as CD and green product (solar module/LED/battery related products), and the revenue is recognized based on the contract stated price.

In principle, payment term granted to customers is due 30 ~150 days from sale of goods. The accounts receivable of most contracts are recognized when the control of goods is transferred and right to collect consideration unconditionally is acquired. Such terms of accounts receivable are generally short and without material finance components. For few contract, the contractual assets are recognized when the goods are transferred to the customers but the right to collect considerations has not yet acquired. The loss allowance for contractual asset must be measured by expected credit loss in term of duration pursuant to IFRS 9.

18. Borrowing cost

The borrowing costs directly attributable to the acquisition, construction, or production of conforming asset shall be capitalized as part of the cost of that asset. All other borrowing costs are recognized as the expenses for the period of occurrence. Borrowing costs include the interest and other costs incurred in connection with the borrowing.

19. Retirement benefit plan

The Company's employee retirement procedures are applicable to all the formally employed staff, and the staff pension fund is fully managed by the Labour Retirement Reserve Supervision Committee Board, and deposited in the dedicated pension fund account; the above-mentioned pension is deposited in the name of the Retirement Reserve Supervision Committee, which is completely separated with the Company, therefore, it is not listed in the individual financial statements.

For the retirement benefit plan of defined contribution plan, the Company shall pay in the employee pension contribution rate per month, which shall not be less than 6% of the employee's monthly salary. The amount of contribution shall be recognized as the current expense.

For the retirement benefit plan of defined benefit plan, it shall be listed according to

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

the actuarial report in the end day of the annual report period on the basis of unit welfare law. Net defined benefit liabilities (assets) remeasured amount includes any change in the planned asset rewards and asset upper limit influence number, and deducting the net interest amount contained in the net defined benefit liabilities (assets), as well as the actuarial profit or loss. When the net defined benefit liabilities (assets) remeasurement amount occurs, it shall be listed in other comprehensive profit or loss, and recognized in the reserved surplus. The present value change of defined benefit obligation resulting from the plan modification or reduction of early service cost, shall be recognised as the expense on the earlier date of either:

- (1) when the plan modification or reduction occurs; and
- (2) when the Company recognizes relevant restructuring costs or severance benefits.

Net interest on net defined benefit liabilities (assets) is determined by multiplying the net defined benefit liabilities (assets) by the discount rate, both of which are determined at the beginning of the annual reporting period, with the consideration of any change in the net defined benefit liabilities (assets) during that period as the result of withdrawals and welfare payments.

20. Income tax

Income tax expense (benefit) means the total amount collected in relation to current income tax and deferred income tax included in the determination of current profit and loss.

Current income tax

The current income tax liabilities (assets) related to the current period and the earlier period shall be measured by the legislative or substantive legislative tax rates and tax laws at the end of the reporting period. The income tax of the current period recognized in other comprehensive profit or loss or directly recognized in the equity item, shall be recognized in other comprehensive profit or loss or the equity, instead of the profit or loss.

The portion of undistributed surplus plus profit-seeking enterprise income tax shall be listed as the income tax expense on the day of surplus distribution decided by the

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board of shareholders.

Deferred income tax

The deferred income tax is calculated from the temporary difference between the tax basis for assets and liabilities on the end of the reporting period and its book amount on the balance sheet.

All taxable temporary differences are recognised as the deferred income tax liabilities except for:

- (1) original recognition of goodwill; or not generated from Business Combinations and not affecting either the accounting profits or the taxable income (loss) in the original recognition of asset or liability at the time of the transaction;
- (2) taxable temporary difference generated from the investment in equity of subsidiary, affiliated enterprise and joint arrangements, whose recovery time can be controlled and unlikely to occur in the foreseeable future.

Temporary deductible differences, unused tax losses and unused income tax credits generated deferred income tax assets, are recognised likely within the future tax income, except for the following two conditions:

- (1) transaction with non-business combinations which relates to the deductible temporary difference generated from the original recognition of the assets or liabilities at the time of the transaction with no effect to the accounting profits or the taxable income (loss);
- (2) related to the deductible temporary differences arising from the investment to equity of subsidiaries, affiliated enterprises and joint arrangement, and only probable to recover in the foreseeable future and there is enough tax at the time of recovery to recognize the use of the temporary difference.

Deferred income tax assets and liabilities are measured at current tax rate of the expected asset realization or liability liquidation, which is based on the tax rate and tax law enacted or substantially enacted at the end of the reporting period. Deferred income tax asset and liability measurement reflects the tax consequences of the expected recovery of assets or liquidation of the book amount of liabilities on the end of the reporting period. Where the deferred income tax is related to the item that is not included in the profit or loss, it is also not recognized as the profit or loss, and

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Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

is instead recognized as other comprehensive profit or loss or as the equity in accordance with its relevant transaction. Deferred income tax assets are reviewed and recognized on the end of each reporting period.

Deferred income tax assets and liabilities shall have the statutory enforcement power only in respect of the offset between current income tax assets and current income tax liabilities, and can be offset only when the assets and liabilities of current income tax and the deferred income tax belong to the same tax payer and are related to the income tax levied by the same tax authority.

V. Major sources of uncertainty in significant accounting judgments, estimates and assumptions

When the Company prepares the financial statements, the management shall make the judgments, estimates and assumptions at the end of the reporting period, which shall affect the revenue, expense, reported amount of assets and liabilities and contingent liability disclosure. However, the uncertainty of these significant assumptions and estimates may lead to major adjustment of the book amount of assets or liabilities in the future.

1. Judgment

No.

2. Estimate and assumption

Major sources of uncertainty regarding the future estimates and assumptions made at the end of the reporting period carry the significant risk of leading to significant adjustments in the book amounts of assets and liabilities in the next financial year. It is explained as follows:

(1) Impairment of non-financial assets

When the book amount of asset or cash generating unit is greater than its recoverable amount, the impairment occurs. Recoverable amount refers to the fair value deducting the disposal cost and use value, whichever is higher. The calculation of the fair value minus the disposal cost is based on the price that

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

the market participants can collect or transfer the liability to pay on the day of measurement by selling the asset in the orderly transaction, after deducting the incremental cost directly attributable to the disposal asset or cash generating unit. The use value is calculated based on the cash flow discount model. Cash flow estimate is in accordance with the budget over the next decade, and does not include the future major investment which has not been promised by the Company, or to strengthen the asset performance of cash generating unit. The recoverable amount is vulnerable to the discount rate used in the cash flow discount model and the expected future cash flow and growth rate used for the extrapolation purpose.

(2) Inventory

The estimate of net realizable value of the inventory is based on the most reliable evidence of the expected realizable amount of inventory available at the time of the estimate, with the consideration of the destruction of inventory, the obsolescence in whole or in part, or the decline in the selling price. Please refer to Note VI for details.

VI. Description of important accounting items

1. Cash and cash equivalent

	2020.12.31	2019.12.31
Cash on hand	\$606	\$612
Current deposit and cheque deposit	482,161	660,159
Fixed-term deposit	14,617	13,172
In-transit inventory	7,787	-
Total	\$505,171	\$673,943

2. Financial assets measured at fair value through profit or loss

	2020.12.31	2019.12.31
Force to measure at fair value through profit or loss:		

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Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Stock	\$34,782	\$33,804
Fund	26,190	16,647
	\$60,972	\$50,451
Total	\$60,972	\$50,451
Current	\$60,972	\$50,451
Non-current	-	-
	\$60,972	\$50,451
Total	\$60,972	\$50,451

There is no guarantee provided for the Company's financial assets measured at fair value through profit and loss.

3. Financial assets measured at fair value through other comprehensive profit or loss

	2020.12.31	2019.12.31
Equity instrument investment measured at fair value through other comprehensive profit or loss:		
Stock of listed company	\$101,112	\$80,400
Total	\$101,112	\$80,400
Current	\$-	\$-
Non-current	101,112	80,400
Total	\$101,112	\$80,400

The Company classifies part of financial assets to the financial assets measured at fair value through other comprehensive profit or loss, and please refer to Note VIII for the provided guarantee.

For investments in equity instruments at FVTOCI, the information regarding the dividends recognized in 2020 and 2019 are as follows:

	2020	2019
Investment held as of balance sheet	\$1,222	\$1,118
Investment derecognized	-	-
Dividend income recognized	\$1,222	\$1,118

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Notes to Individual Financial Statements (Continued)
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4. Financial assets measured at amortized cost

	<u>2019.12.31</u>	<u>2019.12.31</u>
Restricted bank deposit	<u>\$53,800</u>	<u>\$53,743</u>
Current	\$53,800	\$53,743
Non-current	-	-
Total	<u>\$53,800</u>	<u>\$53,743</u>

The guarantee to financial assets measured at amortized cost provided by the Company shall refer to Note VIII, and credit risk related information shall refer to Note XII.

5. Bill receivable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Bill receivable – arising from operation	\$3,733	\$4,055
Less: reserve for loss	-	-
Total	<u>3,733</u>	<u>\$4,055</u>
Account receivable - interested party(total carrying amount)	1,097	-
Less: reserve for loss	-	-
Subtotal	<u>1,097</u>	-
Total	<u>\$4,830</u>	<u>\$4,055</u>

There is no guarantee to the bill receivable provided by the Company.

The Company assesses impairment in accordance with IFRS 9. Please refer to note VI.21 for loss allowance related information and XII for credit risks related information

6. Account receivable and account receivable - interested party

	<u>2020.12.31</u>	<u>2019.12.31</u>
Account receivable (total carrying amount)	\$527,930	\$688,513
Less: reserve for loss	(216,600)	(222,200)
Subtotal	<u>311,330</u>	<u>466,313</u>

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Account receivable - interested party(total carrying amount)	200,563	470,939
Less: reserve for loss	-	-
Subtotal	200,563	470,939
Total	\$511,893	\$937,252

The guarantee to account receivable provided by the Company shall refer to Note VIII.

In principle, payment term granted to customers is due 30 ~150 days from sale of goods. The total carrying amount were NT\$ 728,493,000 and NT\$ 1,159,452,000 as of December 2020 and 2019 respectively. Please refer to note VI.21 for loss allowance for 2020 and 2019. Please see note XII for credit risks related information.

7. Inventory

	2020.12.31	2019.12.31
Raw material	\$237,540	\$280,779
Semi-finished goods and goods in process	187,111	523,484
Finished goods	144,160	155,043
Commodity inventory	9,204	4,620
In-transit inventory	54,190	32,557
Total	\$632,205	\$996,483

The inventory costs recognized as expenses were NT\$ 2,787,798,000 and NT\$ 4,167,857,000 in 2020 and 2019 respectively, including the allowance for price decline of inventory recognized were NT\$ 3,629,000 in 2020 and gain on recovery of inventory price NT\$ 182,203,000 in 2019.

The aforementioned gain on reversal of price decline of inventories resulting from the inventory with reduced price sold or scrapped.

No inventory of the Company is provided as collateral.

8. Investment by equity method

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Details of investment by equity method adopted by the Company are as below:

Invested company name	December 31, 2018		December 31, 2019	
	Amount	Share-holding Ratio %	Amount	Share-holding Ratio %
Investment to subsidiaries:				
Zhongfu Investment Co., Ltd.	\$55,511	100.00	\$92,068	100.00
Zhongyuan International Venture Capital Co., Ltd.	331,693	100.00	348,262	100.00
Laibao Technology Co., Ltd.	740,743	40.11	676,723	40.47
U-tech Technology Co., Ltd.	418,249	22.26	419,076	22.26
Bolai Technology Co., Ltd.	860,689	85.87	856,679	85.87
AimCore Technology Co., Ltd.	344,864	21.27	361,469	21.27
PVNEXT Corporation	(27,406)	43.12	-	43.12
LaiTsuan Technology Co., Ltd.	6,981	100.00	7,486	100.00
Heli Energy Co., Ltd.	984	100.00	987	100.00
Affluence International Co., Ltd. (B.V.I.)	433,679	100.00	445,339	100.00
Ritek Group Inc. (Cayman)	110,225	100.00	155,014	100.00
Max Online Ltd. (B.V.I.)	1,059,655	100.00	1,216,268	100.00
Score High Group Ltd. (B.V.I.)	659,445	92.69	862,406	100.00
ART Management Ltd. (B.V.I.)	311,632	100.00	402,692	100.00
Ritrax Corporation Ltd.	52,350	14.92	64,898	14.92
Sky Chance International Corp.	5,082	100.00	33,852	100.00
Right In Technology Co.	(5,031)	70.00	6,937	70.00
Investment to affiliated enterprises:				
Lai Factory Co., Ltd. (Losing control in April 2020)	22,386	19.23		
GoldenRiver Investment International Corp.	5,071	23.14	6,813	23.14
Total	\$5,386,802		\$6,019,259	
Investment accounted for using equity method	\$5,419,239		\$6,020,656	
Credit balance of investment accounted for using equity method	\$(32,437)		\$(1,397)	

The Company sold shares of subsidiary RiDisplay 644,000 in 2020, with price 29,062,000.

The Company sold 4,000,000 shares of subsidiary Lai Factory in February 2020,

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

with price 40,000,000.

The subsidiary Score High issued 19,871,000 shares for capital increment in 2020, and the Company subscribed partial shares with investment amount 172,697,000.

The Company sold 677,000 shares of subsidiary Ritdisplay in January 2019, with price 40,498,000 and acquired 255,000 shares in May, with investment amount 18,272,000.

The Company sold all the shares of Finesil Technology in July 2019, with price 38,411,000.

The Company sold all the shares of subsidiary Laiyang Technology in September 2019, with price 62,530,000.

The Company subscribed all shares for capital increment of subsidiary Sky Chance of Company, total in 6,250,000, with price 3,932,000.

The Company acquired 70% equity of newly established Right In Technology Co. in August 2019, with investment amount 7,000,000 and the establishment procedures had been completed in the same month.

(1) Investment to subsidiary

The investment to subsidiary in the Individual Financial Statements is expressed in the “investment by equity method”, with necessary evaluation adjustment.

(2) Investment to affiliated enterprises

The Company's investment in affiliated enterprises is not material to the Company. The aggregate book amounts of the affiliated enterprises invested by the Company as at December 31, 2020 and December 31, 2019 are respectively NT\$ 27,457,000 and NT\$ 6,813,000, and the total financial information is listed as follows according to their shares:

<u>2020</u>	<u>2019</u>
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RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Net profit (loss) in current period	\$(2,483)	\$-
Other comprehensive profit (loss) in current period (net of tax)	(107)	-
Total comprehensive profit (loss) in current period	\$(2,590)	\$-

The above-mentioned investment to affiliated enterprises has no contingent liabilities or capital commitments as of December 31, 2020 and December 31, 2019, and no guarantee has been provided.

(3) The provided guarantee to above equity investment shall refer to Note VIII.

9. Property, plant and equipment

	2020.12.31	2019.12.31
Private use property, plant and equipment	\$2,289,233	\$2,352,069
Property, plant and equipment for operating lease	-	-
Total	\$2,289,233	\$2,352,069

(1) Private use property, plant and equipment (applicable to IFRS 16)

	Land	Buildings and structures	Machinery equipment	Other equipment	Construction in progress and Equipment to be tested	Total
Cost:						
2020.1.1	\$966,548	\$3,165,322	\$3,778,675	\$81,504	\$11,349	\$8,003,398
Adding	-	-	-	947	38,267	39,214
Disposal	-	(1,159,284)	(3,339,836)	(61,658)	(10,104)	(4,570,882)
Transfer	-	(17,166)	8,123	764	(10,975)	(19,254)
2020.12.31	\$966,548	\$1,988,872	\$446,962	\$21,557	\$28,537	\$3,452,476
2019.1.1	\$966,548	\$3,162,760	\$3,766,890	\$79,819	\$15,514	\$7,991,531
Adding	-	-	-	-	31,568	31,568
Disposal	-	-	(3,351)	(312)	-	(3,663)
Transfer	-	2,562	15,136	1,997	(35,733)	(16,038)
2019.12.31	\$966,548	\$3,165,322	\$3,778,675	\$81,504	\$11,349	\$8,003,398

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Depreciation and impairment:

2020.1.1	\$-	\$2,056,283	\$3,516,048	\$78,998	\$-	\$5,651,329
Depreciation	-	46,395	32,699	688	-	79,782
Loss	-	-	-	-	-	-
Disposal	-	(1,159,285)	(3,339,608)	(60,789)	-	(4,559,682)
Transfer	-	(8,186)	-	-	-	31,567
2020.12.31	<u>\$-</u>	<u>\$935,207</u>	<u>\$209,139</u>	<u>\$18,897</u>	<u>\$-</u>	<u>\$1,163,243</u>
2019.1.1	\$-	\$1,966,902	\$3,013,874	\$60,630	\$-	\$5,041,406
Depreciation	-	54,494	318,349	6,637	-	379,480
Loss	-	43,000	187,000	12,000	-	242,000
Disposal	-	-	(3,175)	(269)	-	(3,444)
Transfer	-	(8,113)	-	-	-	(8,113)
2019.12.31	<u>\$-</u>	<u>\$2,056,283</u>	<u>\$3,516,048</u>	<u>\$78,998</u>	<u>\$-</u>	<u>\$5,651,329</u>

Net book amount:

2020.12.31	\$966,548	\$1,053,665	\$237,823	\$2,660	\$28,537	\$2,289,233
2019.12.31	<u>\$966,548</u>	<u>\$1,109,039</u>	<u>\$262,627</u>	<u>\$2,506</u>	<u>\$11,349</u>	<u>\$2,352,069</u>

The Company adopts value in use and net disposition value of current assets as recoverable amount for impairment test as of December 31, 2020 and 2019. The discount rate used to estimate value in use were 9.00% on December 31, 2020 and 2019 respectively.

(2) Property, plant and equipment for operating lease

None

For property, plant and equipment provided as collateral, please refer to note 8.

10. Investment property

	Land	Building	Building
Cost:			
January 1, 2020	\$189	\$123,785	\$123,974
Adding – from subsequent expense	-	-	-
Transfer	-	19,254	19,254

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

December 31, 2020	\$189	\$143,039	\$143,228
January 1, 2019	\$189	\$107,747	\$107,936
Adding – from subsequent expense	-	-	-
Transfer	-	16,038	16,038
December 31, 2019	\$189	\$123,785	\$123,974
Depreciation and impairment:			
January 1, 2020	\$-	\$64,737	\$64,737
Current depreciation	-	4,148	4,148
Transfer	-	8,186	8,186
December 31, 2020	\$-	\$77,071	\$77,071
January 1, 2019	\$-	\$54,147	\$54,147
Current depreciation	-	2,477	2,477
Transfer	-	8,113	8,113
December 31, 2019	\$-	\$64,737	\$64,737
Net book amount:			
December 31, 2020	\$189	\$65,968	\$66,157
December 31, 2019	\$189	\$59,048	\$59,237

	2019	2019
Investment property rental revenue	\$20,146	\$16,419
Less: Direct operating expense incurred on investment property generating rental revenue for the current period	(4,148)	(2,477)
Direct operating expense incurred on investment property not generating rental revenue for the current period	-	-
Total	\$15,998	\$13,942

The guarantee to investment property provided by the Company shall refer to Note VIII.

The investment property held by the Company is not measured according to the fair value, but only reveals the information of its fair value, which belongs to Level 3. The fair value of the investment property held by the Company was NT\$ 229,492,000 on December 31, 2020 and December 31, 2019, respectively. The

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

fair value mentioned above refers to the evaluation of the recent transaction price of similar targets by referring to the real price query of the property transaction of the Ministry of the Interior.

11. Intangible asset

	Patent right
Cost:	
January 1, 2020	\$193,752
Adding – acquiring separately	554
December 31, 2020	\$194,306
January 1, 2019	\$193,138
Adding – acquiring separately	614
December 31, 2019	\$193,752
Amortization and impairment:	
January 1, 2020	\$181,108
Amortization	3,856
December 31, 2020	\$184,964
January 1, 2019	\$176,843
Amortization	4,265
December 31, 2019	\$181,108
Net book amount:	
December 31, 2020	\$9,342
December 31, 2019	\$12,644

Amortization amount recognized as intangible asset as below:

	2020	2019
Operating cost and operating expense	\$3,856	\$4,265

12. Other non-current assets

	2020.12.31	2019.12.31
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RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Other prepaid repair costs	\$28,438	\$36,361
Refundable deposit	1,897	11,110
Total	\$30,335	\$47,471

13. Short-term borrowing

	2020.12.31	2019.12.31
Borrowing by financial institutions	\$970,774	\$1,051,275
Interest rate range (%)	1.0391~2.5988	1.3400~3.7360

Up to December 31, 2020 and December 31, 2020, the unused short-term borrowing limits of the Company are respectively NT\$ 901,126,000 and NT\$ 1,009,436,000.

The guarantee to short-term borrowing shall refer to Note VIII.

14. Short-term notes and bills payable

	2019.12.31	2019.12.31
Guarantee agency		
Commercial paper issued book value	\$25,000	\$25,000
Less: Discount on short-term notes and bills payable	(41)	(7)
Net amount	24,959	\$24,993
Interest rate range (%)	0.712~0.712	0.7120~0.7120

15. Financial liabilities measured at fair value through profit or loss

	2020.12.31	2019.12.31
Held for trading:		
Derivative instruments not specifying the hedging relationship		
Forward foreign exchange contract	\$-	\$11,845
Current	\$-	\$11,845
Non-current	-	-

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Total	\$-	\$11,845
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16. Long-term borrowing

	2020.12.31	2019.12.31
Borrowing by financial institutions	\$2,062,565	\$2,447,765
Less: Long-term borrowing maturing within one year or one business cycle	(483,039)	(452,063)
Total	\$1,579,526	\$1,995,702
Interest rate range (%)	1.6140~2.2500	1.8780~2.5000

(1) The Company entered into financing contract with Taishin International Commercial Bank, with amount NT\$ 673,000,000, for three years in August 2018. The major commitment of preceding loan is as follows:

A. Total liabilities of Consolidated Financial Statements may not exceed 100% of net tangible value; current assets shall not be less than 100% of current liabilities, and the tangible net value shall not be less than NT\$ 20 billion.

B. Changed the commitment with Taishin International Commercial Bank in June 2020. The total liabilities of consolidated financial statements shall not exceed 100% of net tangible value; current assets shall not be less than 100% of current liabilities, and the tangible net value shall not be less than NT\$ 9 billion.

C. As of December 31, 2020 and December 31, 2019, the outstanding loan balance of the Company is NT\$ 673,000,000 and NT\$ 673,000,000 respectively.

(2) The Company entered into financing contract with Yuanta International Commercial Bank, with amount NT\$500 million, for three years in March 2019. The major commitment of preceding loan is as follows:

A. Total liabilities of Consolidated Financial Statements shall not exceed 100% of net tangible value; current assets shall not be less than 100% of current liabilities, and the tangible net value shall not be less than NT\$ 10 billion.

B. As of December 31, 2020 and December 31, 2019, the outstanding loan balance of the Company is NT\$ 350,000,000 and NT\$ 450,000,000

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000) respectively.

(3) The remaining loan repayment period starts from 2014 and ends in 2024 by stages.

(4) For the long-term loan guarantee, please refer to Note VIII.

17. Retirement benefit plan

Defined contribution plan

The Company's employee retirement method under the "Labor Pensions Rule" is the defined contribution plan. In accordance with the provisions, the Company shall contribute no less than 6% of the employee's monthly salary to the pension fund. In accordance with the Company's employee retirement policy set forth, the Company transfers in 6% of the employee's salary to the personal pension account in the Labor Insurance Bureau every month.

The Company confirmed and recognized transfer program costs in 2020 and 2019 are NT\$ 19,988,000 and NT\$ 22,517,000, respectively.

Defined benefit plan

The employee pension plan established by the Company in accordance with the "Labor Standards Law" is the defined benefit plan, and the payment of the employee pension is calculated based on the base of service experience and the average monthly salary at the time of approved retirement. Two bases shall be given for each year of service less than 15 years (included), and one base shall be given for each year of service more than 15 years, provided that the maximum accumulative base number shall be 45. The Company shall, in accordance with the Labor Standards Law, contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited in the special account in the name of the Labor Retirement Reserve Supervision Committee in the Bank of Taiwan. In addition, the Company shall, before the end of each fiscal year, estimate the balance of the aforesaid labor retirement reserve account. If the balance is less than the amount of the aforesaid pension for the workers who are eligible for retirement in the next fiscal year, the Company shall allocate the difference before the end of March of the next fiscal year.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

The Ministry of Labor allocates the assets according to the income and expenditure custody and operation methods of the labor retirement fund, and the investment of the fund shall be carried out in the form of self-management and entrusted management, as well as adopting the medium and long-term investment strategies in active and passive management. Considering the market, credit, liquidity and other risks, the Labor Department shall set the fund risk limit and control plan, so as to have enough flexibility to achieve the target reward without taking excessive risks. For the use of the fund, the minimum annual income distributed in the final accounts shall not be less than the income calculated on the basis of two-year time deposits of the local bank; in case of any deficiency, it shall be made up by the State Treasury after being approved by the competent authority. Since the Company has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IAS 19. As of December 31, 2020, the Company's defined benefit plan is expected to allocate NT\$ 9,957,000 for the next year.

As of December 31, 2020 and December 31, 2019, the weighted average duration of defined benefit plan of the Company is 12 years and 14 years respectively.

The table below summarizes the defined benefit plan and recognizes to the cost of profit or loss:

	2020	2019
Current service cost	\$553	\$676
Net interest of net defined benefit liability (asset)	1,469	1,764
Previous service cost	-	-
Total	\$2,022	\$2,440

Present value of defined benefit obligation and fair value of plan asset are adjusted as below:

	2020.12.31	2019.12.31
Present value of defined benefit obligation	\$312,870	\$329,421
Fair value of plan asset	216,037	215,042
Other non-current liability – net defined benefit liability (asset) column number	\$96,833	\$114,379

Net defined benefit liability (asset) adjustment:

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liability (asset)
January 1, 2019	\$327,784	\$211,430	\$116,354
Current service cost	676	-	676
Interest expense (revenue)	5,245	3,481	1,764
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	<u>333,705</u>	<u>214,911</u>	<u>118,794</u>
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	-	-	-
Financial assumption change generated actuarial profit or loss	8,959	-	8,959
Experience adjustment	4,125	-	4,125
Defined benefit asset remeasurement amount	-	6,355	(6,355)
Subtotal	<u>13,084</u>	<u>6,355</u>	<u>6,729</u>
Benefit of payment	(17,368)	(17,368)	-
Employer contribution amount	-	11,144	(11,144)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2019	329,421	215,042	114,379
Current service cost	553	-	553
Interest expense (revenue)	4,447	2,978	1,469
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	<u>334,421</u>	<u>218,020</u>	<u>116,401</u>
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	-	-	-
Financial assumption change generated actuarial profit or loss	9,880	-	9,880

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Experience adjustment	(13,588)	-	(13,588)
Defined benefit asset remeasurement amount	-	5,903	(5,903)
Subtotal	<u>(3,708)</u>	<u>5,903</u>	<u>(9,611)</u>
Benefit of payment	(17,844)	(17,844)	-
Employer contribution amount	-	9,957	(9,957)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2020	<u>\$312,869</u>	<u>\$216,036</u>	<u>\$96,833</u>

The following main assumptions are used to determine the defined benefit plan of the Company:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	1.00%	1.35%
Expected salary increasing rate	2.00%	2.00%

Every significant actuarial assumption sensitivity analysis:

	<u>2020</u>		<u>2019</u>	
	Defined benefit obligation increasing	Defined benefit obligation decreasing	Defined benefit obligation increasing	Defined benefit obligation decreasing
Discount rate increasing 0.5%	\$-	14,042	\$-	17,570
Discount rate decreasing 0.5%	15,073	-	19,034	-
Expected salary increasing 0.5%	15,105	-	19,093	-
Expected salary decreasing 0.5%	-	14,214	-	17,798

Assuming that the other assumptions are unchanged when handling the above sensitivity analysis, if the single actuarial assumption (such as the discount rate or expected salary) has reasonable change, it shall analyze the possible influence of defined benefit obligation. Because some actuarial assumptions are related to each

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

other, single change in the actuarial assumption is rare in practice, thus this analysis has its limits.

The methods and assumptions used in the current sensitivity analysis are not different from those used in the previous analysis.

18. Equity

(1) Common stock

As of December 31, 2020 and December 31, 2019, the paid-in capital of the Company is NT\$ 6,936,797,000 and NT\$ 12,841,579,000, and value per share is NT\$ 10, totally 693,679,663 shares and 1,284,157,900.

To improve the financial structure, the Company decides to reduce the capital and cover the deficit of NT\$ 5,904,782,000 in the shareholder meeting on June 17, 2020, and the reduced share number is 590,478,237, in the capital reduction rate of 45.98%, and also decides July 19, 2018 is the capital reduction base day in the shareholder meeting on August 10, 2020.

(2) Capital surplus

	<u>2020.12.31</u>	<u>2019.12.31</u>
Difference between actually acquired or disposed subsidiary equity price and book value	\$629,591	\$584,791
Donated assets received	4,937	4,937
Recognizing the change in ownership equity of subsidiary	512,595	540,190
Total	<u>\$1,147,123</u>	<u>\$1,129,918</u>

According to the law, the capital surplus shall not be used except to cover the Company's losses. When the Company has no losses, the capital surplus shall be generated from the excess amount of stock issued and the grant as well as the income received, to increase the capital in certain ratio of paid-in capital per

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

year, and the aforesaid capital surplus may also be distributed in cash in proportion to the original shares of the shareholder.

(3) Surplus distribution and dividend policy

The Articles of Association of the Company stipulates that the industrial environment in which the Company is located is changing rapidly and the life cycle of the Company is in the period of rapid growth. Considering the future capital needs of the Company, long-term financial planning and corporate earnings growth, to meet the demand of shareholders to cash inflows, if there is surplus after the Company's annual final settlement, in addition to pay the profit-seeking enterprise income tax in accordance with the law and make up the losses of the previous year, ten percent should be drawn for the statutory surplus reserves, but when the statutory surplus reserves reached the paid-in capital of the Company, it shall not draw any more, and the rest shall be listed pursuant to applicable laws and regulations or transfer to special surplus reserves, and then its balance shall be firstly dispatched for the special stock dividend. The rest, together with 50 to 100 percent of the undistributed earnings set aside in previous years, will be the shareholders' dividends. The proportion of cash dividends will be determined by the detailed assessment of the Company's earnings growth for the coming year and its capital budget plan within the range no more than one half. The aforesaid ratio of dividend withdrawal and the ratio of cash dividend may be adjusted by the resolution of the board of shareholders according to the actual profit and capital status of the Company in the current year.

The Articles of Association of the Company stipulate that, where the accumulation of the preceding year or the after-tax earnings incurred in the current year are insufficient to set aside the deduction of shareholders' equity, the same amount of special surplus reserve shall be set aside from the undistributed earnings accumulated in the preceding year and deducted prior to the allocation of dividends for shareholders.

After adopting IFRS, the Company released the stipulation Letter Jing-Guang-Chen-Fa No. 1010012865 in accordance with FSC on April 6, 2012; for the first-time application of IFRS, the unrealized revaluation appreciation and accumulated conversion adjustment benefits of the account are transferred to the retained surplus portion on the conversion day by reason of the application

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

of IFRS 1 "First application of IFRS" exemption item, and the same amount of the special surplus reserve is set aside. Upon the application of IFRS to prepare the financial report, the special surplus reserve shall be set aside at the time of the assignment of the distributable surplus, on the basis of the difference between the balance of the special surplus reserve at the time of the first IFRS application and the net amount of other equity deductions. If the balance of any other deduction item of shareholders' equity subsequently turns, the surplus of the recovery portion may be distributed. The Company does not need to set aside any special surplus reserve due to the first application of IFRS.

Please refer to Note VI. 25 for information on the basis and amount of the appraisal of employee salary and the remuneration of the board of directors.

19. Operating revenue

	2020	2019
Revenue from Contracts with Customers		
Revenue from sales of goods	\$2,831,898	\$4,224,977

Revenues from Contracts with Customers in 2020 and 2019 were as follows:

(1) Revenue subdivision

	2020	2019
Sales of goods	\$2,831,898	\$4,224,977
Revenue recognition time and place:		
In certain time and place	\$2,831,898	\$4,224,977

(2) Contract balance

A. Contract liability – current

	2020.12.31	2019.12.31	2019.1.1
Sales of goods	\$58,024	\$51,761	\$114,238

The balances of contractual liabilities at the beginning of year 2020 and 2019

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

were reduced due to fulfillment of obligations. The amounts reversed to income in current terms were 51,761,000 and 114,238,000 respectively.

(3) Asset recognized from the acquisition or client contract performance cost

No.

20. Expected credit impairment loss (profit)

	<u>2020</u>	<u>2019</u>
Operating expense – expected credit impairment interest		
Bill receivable	\$-	\$-
Account receivable	(5,600)	52,751
Non-operating revenue and expense – expected credit impairment loss		
Other receivables	-	-
Total	<u>\$(5,600)</u>	<u>\$52,751</u>

Credit risk related information shall refer to Note XII.

The Company's receivables (including the bill receivable, account receivable and other receivable) adopts the expected amount of credit loss during the existence term of the Company to measure the reserve for loss. The amount of reserve for loss is estimated at December 31, 2020 and December 31, 2019. The relevant interpretations are as follows:

(1) The total book amount of bill receivable of NT\$ 4,830,000 and NT\$ 4,055,000 is not overdue, and the amount of reserve for loss, measured by 0% of the expected credit loss rate, is NT\$ 0.

(2) The total book amount of other receivable is NT\$ 33,343,000 and NT\$ 23,019,000. Among them, the reserve for loss measured at 0%~100% of individual expected credit loss rate is NT\$ 1,000,000 and NT\$ 1,000,000. The remaining total book amount is not overdue and its expected credit loss rate is 0%.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

- (3) Account receivable shall be grouped based on the factors such as the counterparty credit rating, region and industry, and adopts the reserve matrix to measure the reserve for losses. Relevant information is as follows:

2020.12.31

	Not overdue	Overdue days				91-120 days	Over 120 days	Total
		Within 30 days	31-60 days	61-90 days				
Total book amount	\$440,510	\$14,073	\$18,111	\$8,911	\$500	\$246,388	\$728,493	
Loss ratio (%)	0%	1%	2%	5%	10%	20~100%		
Expected credit loss during the term of existence	-	141	362	446	50	215,601	216,600	
Book value	\$440,510	\$13,932	\$17,749	\$8,465	\$450	\$30,787	\$511,893	

109.12.31

	Not overdue	Overdue days				91-120 days	Over 120 days	Total
		Within 30 days	31-60 days	61-90 days				
Total book amount	\$614,577	\$88,670	\$40,892	\$46,469	\$35,468	\$333,376	\$1,159,452	
Loss ratio (%)	0%	1%	2%	5%	10%	20~100%		
Expected credit loss during the term of existence	-	887	818	2,323	3,547	214,625	222,200	
Book value	\$614,577	\$87,783	\$40,074	\$44,146	\$31,921	\$118,751	\$937,252	

Change information of bill receivable, account receivable and other receivable reserve for loss of the Company from 2020 and 2019 is as below:

	Bill receivable	Account receivable	Other receivables
2020.1.1	\$-	\$222,200	\$1,000
The increased (reversed) amount	-	(5,600)	-
Write-off due to unrecoverable	-	-	-
Reclassification	-	-	-
Change in exchange rate	-	-	-
2020.12.31	\$-	\$216,600	\$1,000
2019.1.1	\$-	\$119,100	\$1,000
The increased (reversed) amount	-	52,751	-
Write-off due to unrecoverable	-	(19,746)	-
Reclassification	-	70,095	-
Change in exchange rate	-	-	-
2019.12.31	\$-	\$222,200	\$1000

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

21. Lease

(1) The Company as the lessee

The Company's major rental assets are house, building and machinery. The terms of contracts are between 2 and 15 years.

The effects of lease to the financial conditions, financial performance and cash flow of the Company are as follows:

A. Amount recognized in balance sheet

(a) Right-of-use property

The carrying amount of right-of-use property

	2020.12.31	2019.12.31
House and building	\$1,115	\$5,186
Machinery	110,725	125,603
Total	<u>\$111,840</u>	<u>\$130,789</u>

The addition to right-of-use property was NT\$ 0 and NT\$ 26,541,000 in 2020 and 2019.

(b) Lease liabilities

	109.12.31	108.12.31
Lease liabilities	<u>\$116,015</u>	<u>\$134,241</u>
Current	\$14,538	\$16,707
Non-current	<u>101,477</u>	<u>117,534</u>
Total	<u>\$116,015</u>	<u>\$134,241</u>

Please refer to note VI. 24(3) financial cost for the interest expense of lease liabilities; please refer to note XII liquidity risks management for maturity analysis of lease liabilities.

B. The amount recognized in comprehensive profit and loss

Depreciation of right-of-use properties

	2020	2019
House and building	<u>\$ 1,911</u>	<u>\$1,365</u>

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Machinery	14,068	12,907
Total	\$15,979	\$14,272

C. The income and expenses of lessee in related with lease activities

	2020	2019
short-term lease expenses	\$1,591	\$4,401
Low value assets lease expenses (excluding the short-term low value asset lease expenses)	-	-
Variable lease payment excluded from the measurement of lease liabilities	677	567

D. The cash outflow of lessee in related with lease activities

The total cash outflow of the Company from lease was NT\$ 18,067,000 and NT\$ 18,967,000 in 2020 and 2019.

E. Other information regarding lease activities

Variable lease payment

The Company has rented some roofs of building for contract of solar power system construction, including the variable lease payment in connected with revenue of selling solar power, in which the variable lease payment amount is connected with the percentage of power sales revenue. Since such variable lease payment is unsatisfactory to the definition of lease payment, it is excluded from the measurement of assets and liabilities. The Company estimates that additional 7,000~8,000 rent will be incurred per additional 100 thousands of power sales revenue

(2) The Company as a lessor

Please refer to note VI.10 for disclosure in related with private owned investment property. Since almost all risks and rewards attributed to the subject assets are not transferred, the private owned investment properties are classified as operating lease. Please refer to note VI.9 for property, plant and equipment lent under operating lease applicable to disclosure of IAS 16.

	2020	2019
Lease income recognized under operating lease		
Fixed lease payment and income in related with variable lease payment depending on index or	\$23,346	\$18,214

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

rate

The total amount of undiscounted lease payment to be collected from and remaining years of operating lease contract signed by the Company as of December 31, 2020 and December 31, 2019.

	2020.12.31	2019.12.31
Less than one year	\$13,456	\$14,995
More than one year but less than two years	9,641	8,417
More than two years but less than three year	8,563	5,659
More than three years but less than four year	3,204	4,058
More than four years but less than five year	674	-
Over five years	-	-
Total	<u>\$35,538</u>	<u>\$33,129</u>

22. Staff welfare, depreciation and amortization expense function classification summary sheet is as below:

Nature \ Function	2020				2019			
	Operating cost	Operating expense	Non-operating expense	Total	Operating cost	Operating expense	Non-operating expense	Total
Staff welfare expense								
Salary expense	\$333,469	\$112,752	\$-	\$446,221	\$397,164	\$110,248	\$-	\$507,412
Labor insurance expense	35,003	9,093	-	44,096	43,597	8,783	-	52,380
Pension expense	16,445	5,565	-	22,010	19,310	5,647	-	24,957
Director remuneration	-	700	-	700	-	700	-	700
Other staff welfare expense	1,166	208	-	1,374	1,786	279	-	2,065
Depreciation expense	70,047	23,328	6,534	99,909	350,255	32,366	13,608	396,229
Amortization expense	25,513	6,729	-	32,242	31,601	6,600	-	38,201

Note 1: The number of employees of the Company in 2020 and on December 31, 2019 is respectively 670 and 821 persons, in which the number of directors not as employee is 4 persons.

Note 2: A. The average employee welfare expenses were NT\$ 771,000 and NT\$ 718,000 in this year and previous year respectively

B. The average employee salary expenses were NT\$ 670,000 and NT\$ 621,000 in this year and previous year respectively

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

- C. The adjustment of employee salary expenses was 7.9% in average
- D. The Company has established Audit Committee consisting of all independent directors in accordance with Securities Exchange Act. There is no supervisor and therefore the compensation to supervisors is unavailable. The policies of remuneration to directors and managerial officers are proposed to remuneration committee for review in accordance with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or Taipei Exchange. The distribution of remuneration of directors shall be reviewed by the remuneration committee and approved by the Board of Directors depending on the participation and contribution of all directors as referring to the general standards in the same industry. The policies of remuneration to managerial officers shall refer to the general standards in the same industry as well as consider their proficiency, spending of time, responsibilities, performance, financial conditions and operational performance of the Company and future risks.

The Articles of Association of the Company stipulate that if the Company makes profits in the current year, it shall set aside 3-10% as the remuneration for employees and no more than 4% as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. Where the employee remuneration referred to in the preceding paragraph can be paid in cash or stock, the object of the payment may include the employees of the subordinate company who meet certain conditions prescribed by the board of directors. For the information about employee compensation and remuneration approved by the board of directors, please refer to the "Open Information Observation Station" of Taiwan Stock Exchange.

The Company is in the state of loss in 2020 and 2019, so it does not list the remuneration of employees and the remuneration of the board of directors.

23. Non-operating revenue and expense

(1) Interest revenue

	<u>2020</u>	<u>2019</u>
Interest in bank deposits	\$1,147	\$1,527
Other interests revenue	16,223	11,155
Total	<u>\$17,370</u>	<u>\$12,682</u>

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

(2) Other revenue

	2020	2019
Rental revenue	\$23,346	\$18,214
Dividend revenue	1,237	1,118
Miscellaneous expense	14,613	12,505
Total	\$39,196	\$31,837

(3) Other profits and losses

	2020	2019
Profit from disposal of property, plant and equipment	\$20,763	\$20,081
Net foreign currency exchange profit (loss)	(59,817)	(73,363)
Gain/loss on financial assets measured at fair value through profit and loss	(50,789)	5,193
Miscellaneous expense	(12,992)	(10,451)
Impairment loss	-	(242,000)
Total	\$(102,835)	\$(300,540)

(4) Financial cost

	2020	2019
Bank loan interest	\$(68,193)	\$(86,837)
Interest of lease liabilities (note)	(541)	(444)
Total	\$(68,734)	\$(87,281)

24. Components of other comprehensive profit or loss

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

2020

	Current Current incurrence	Current reclassification adjustment	Other comprehensive profit or loss	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Defined benefit plan remeasurement amount	\$9,611	\$-	\$9,611	\$-	\$9,611
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	20,712	-	20,712	-	20,712
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(54,437)	-	(54,437)	-	(54,437)
Items possible to be reclassified to profit or loss in the future:					
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(78,883)	-	(78,883)	-	(78,883)
Total	<u>\$ (102,997)</u>	<u>\$-</u>	<u>\$ (102,997)</u>	<u>\$-</u>	<u>\$ (102,997)</u>

2019

	Current Current incurrence	Current reclassification adjustment	Other comprehensive profit or loss	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Defined benefit plan remeasurement amount	\$(6,729)	\$-	\$(6,729)	\$-	\$(6,729)
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	12,904	-	12,904	-	12,904
Shares of other comprehensive profit or loss	31,857	-	31,857	-	31,857

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

of subsidiary, affiliated enterprises and joint venture recognized by equity method
Items possible to be reclassified to profit or loss in the future:

Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method

	(75,055)	-	(75,055)	-	(75,055)
Total	<u><u>\$(37,023)</u></u>	<u><u>\$-</u></u>	<u><u>\$(37,023)</u></u>	<u><u>\$-</u></u>	<u><u>\$(37,023)</u></u>

25. Income tax

(1) 2020 and 2019 income tax expenses (benefit) consisted of the following:

Income tax recognized as profit or loss

	<u>2020</u>	<u>2019</u>
Current income tax expense:		
Current income tax payable	\$-	\$-
Deferred income tax expense:		
Deferred income tax expenses related to original generation of temporary difference and its recovery	-	54,499
Income tax expense (benefit)	<u><u>\$-</u></u>	<u><u>\$54,499</u></u>

Income tax recognized as other comprehensive profit or loss

	<u>2020</u>	<u>2019</u>
Deferred income tax expense (benefit):		
Defined benefit plan remeasurement amount	<u><u>\$-</u></u>	<u><u>\$-</u></u>

(2) The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted as follows:

	<u>2020</u>	<u>2019</u>
Net profit (loss) before tax from continuously operated entity	<u><u>\$(897,386)</u></u>	<u><u>\$(2,200,408)</u></u>
Tax-exempt income tax influence number	(179,477)	(440,082)
Non-deductible expense income tax influence number in tax declaration	(9,819)	-
Deferred income tax asset / liability income tax	-	30,889

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

influence number

Adjustment in current year of current income tax

of previous year

189,296

463,692

Total income tax expense recognized as profit or

loss

\$-

\$54,499

(3) Deferred income tax asset (liability) balance related to following items:

2020

	Beginning balance	Recognized as profit or loss	Recognized as other comprehen- sive profit or loss	Ending balance
Temporary difference	\$-	\$-	\$-	\$-
Deferred income tax (expense)/ benefit		\$-	\$-	
Deferred income tax asset / (liability) net amount	\$-			\$-
Information expressed in balance sheet as below:				
Deferred income tax asset	\$-			\$-
Deferred income tax liability	\$-			\$-

2019

	Beginning balance	Recognized as profit or loss	Recognized as other comprehen- sive profit or loss	Ending balance
Temporary difference				
Net profit or loss of unrealized foreign currency exchange	\$(5,915)	\$5,915	\$-	\$-
Bad debt reserve recognition	20,997	(20,997)	-	-
Unrealized profit between the affiliated companies	24,428	(24,428)	-	-

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Year-end bonus	11,961	(11,961)	-	-
Unrealized fire loss	3,028	(3,028)	-	-
Deferred income tax (expense) / benefit		\$(54,499)	\$-	
Deferred income tax asset / (liability) net amount	\$54,499			\$-
Information expressed in balance sheet as below:				
Deferred income tax asset	\$60,414			\$-
Deferred income tax liability	\$(5,915)			\$-

(4) Unused tax loss information of the Company is summarized as below:

Incurrence year	Loss amount	Unused balance		Final deductible year
		December 31, 2020	December 31, 2019	
2010	1,258,894	\$-	\$1,258,894	2020
2011	1,913,163	1,913,163	1,913,163	2021
2012	938,408	938,408	938,408	2022
2013	2,070,277	2,070,277	2,070,277	2023
2014	2,300,611	2,300,611	2,300,611	2024
2015	5,783,839	5,783,839	5,783,839	2025
2016	1,144,980	1,144,980	1,144,980	2026
2017	817,581	817,581	817,581	2027
2018	704,179	701,320	701,320	2028
2019	214,935	214,935	214,935	2029
2020	501,860	501,860	-	2030
		\$16,386,974	\$17,144,008	

Unrecognized deferred income tax asset

As of December 31, 2020 and December 31, 2019, the total amount of deferred income tax asset unrecognized by the Company was respectively NT\$ 5,329,927,000 and NT\$ 5,163,705,000.

Income tax declaration approval condition

The profit-making enterprise income tax of the Company has been checked to 2018 by taxation authority.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

26. Loss per share

The amount of the basic earnings (loss) per share shall be calculated by dividing the current net profit (loss) attributable to the holders of the parent company's ordinary shares by the weighted average number of ordinary shares outstanding in the current period.

As the Company does not issue the dilutive potential ordinary shares, there is no need for the Company to dilute the amount of the basic earnings (loss) per share.

	<u>2020</u>	<u>2019</u>
Basic loss per share		
Net loss attributable to common shareholders of the parent company (NT\$ 1,000)	\$(897,386)	\$(2,254,907)
Retroactively adjusted weighted average number of ordinary shares of basic loss per share (1,000 shares)	693,680	693,680
Basic loss per share (NT\$)	<u>\$(1.29)</u>	<u>\$(3.25)</u>

There was no other transaction that has significantly changed the number of outstanding shares at the end of period or potential common shares after the reporting period and before the approval and publication of financial statements.

VII. Interested party transactions

Interested party traded with the Company during the financial reporting period is as below:

Interested party name and relationship

<u>Interested party name</u>	<u>Relationship with the Group</u>
Zhongfu Investment Co., Ltd. (Zhongfu)	The Company's subsidiary
Zhongyuan International Venture Capital Co., Ltd. (Zhongyuan)	The Company's subsidiary
Laibao Technology Co., Ltd. (Laibao)	The Company's subsidiary
U-tech Technology Co., Ltd. (U-Tech)	The Company's subsidiary
Bolai Technology Co., Ltd. (Prorit)	The Company's subsidiary
AimCore Technology Co., Ltd. (AimCore)	The Company's subsidiary
PVNEXT Corporation(PVNEXT)	The Company's subsidiary
Lai Factory Co., Ltd. (Lai Factory)	The affiliate of the Company

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

(Losing control in April 2020)

Laiyang Science and Technology Co., Ltd. (Laiyang)	The Company's subsidiary
Cashido Corporation (Cashido)	The Company's subsidiary
Finesil Technology Inc. (Finesil)	The Company's subsidiary
Hsin Bao Assets Co.(Hsin Bao)	The Company's subsidiary
Houju Energy Development Co., Ltd.(Houju)	The Company's subsidiary
Kunshan Hutek Co., Ltd. (Hutek)	The Company's subsidiary
Kunshan Kunlai Trade Co., Ltd. (Kunlai)	The Company's subsidiary
Golden Glue Co., Ltd. (Golden Glue)	The Company's subsidiary
Riccare Co., Ltd. (Riccare)	The Company's subsidiary
American Army Club of Dollars Cultural and Creative Industry Company	The Company's subsidiary
Luminit Automotive Technologies(Luminit)	The affiliate of the Company Subsidiary is the corporate director of O-View
O-View Technology Co., Ltd. (O-View)	The Company's Chairman is the director of Ritek Foundation
Ritek Foundation (Ritek)	The Company's subsidiary
Max Online Ltd. (B.V.I.) (Max Online)	The Company's subsidiary
Ritek Vietnam Company., Ltd. (RVC)	The Company's subsidiary
Advanced Media Inc. (AMI)	The Company's subsidiary
Conrexx Technology B.V. (Conrexx)	The Company's subsidiary
Team Diy Hardware Sdn. BHD. (Team DIY)	The Company's subsidiary
Ritek Latin America, Inc.	The Company's subsidiary
RiTS Solar B.V.	The Company's subsidiary
True Win Technology Co., Ltd. (True Win)	The affiliate of the Company
Ritwin Corporation(Ritwin)	The Company's subsidiary

Major transaction between the interested parties

1. Sales

	2020	2019
The Company's subsidiary		
AMI	\$135,494	\$258,021
Conrexx	151,657	281,040
Kunlai	153,047	234,592

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Other	60,646	65,818
Subtotal	500,844	851,127
The Company's affiliated enterprises	11,220	13,253
Other interested party		
Ritek Foundation (Ritek)	31	-
Total	\$512,095	\$864,380

(1) The selling price of the Company to the interested parties is negotiated in accordance with the general market conditions; if the interested parties are the domestic company, the collection term shall be similar to the domestic client, to receive the payment in 90 to 150 days.

(2) The sales of goods between the Company and its subsidiaries in accordance with the provisions of Letter Tai-Tsai-Cheng (VI) No. 00747 on March 18, 1998(1998) have been treated by consigned processing accounting instead of treated as sales. Thus, relevant items and amounts have been reduced as follows:

	2020	2019
Sales revenue	\$289,371	\$375,328
Sales cost	289,371	375,328

As of December 31, 2020 and December 31, 2019, the above consigned processing related account receivable and payable of NT\$ 110,314,000 and NT\$ 333,480,000 have been offset and expressed in net amount.

2. Purchase

	2020	2019
The Company's subsidiary		
RVC	\$603,994	\$1,033,873
Prorit	41,759	110,716
Other	9,237	5,083
Subtotal	654,990	1,149,672
The Company's affiliated enterprises	11,698	18,405
Other interested party		
O-View	16	15

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Total	<u>\$666,704</u>	<u>\$1,168,092</u>
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There is no significant difference between the trading conditions of the Company's purchase of goods from interested parties and the general trading conditions. Payment terms are monthly statement 90-120 days after delivery.

3. Notes Receivable - interested party

	<u>2020.12.31</u>	<u>2019.12.31</u>
The Company's subsidiary		
Prorit	\$1,094	\$-
Finesil	3	-
Total amount	<u>\$1,097</u>	<u>\$-</u>

4. Account receivable - interested party

	<u>2020.12.31</u>	<u>2019.12.31</u>
The Company's subsidiary		
RVC	\$62,879	\$256,680
AMI	16,845	34,896
Conrexx	15,525	52,830
Laiyang	-	26,126
Kunlai	67,399	74,231
Other	33,629	22,364
Subtotal	<u>196,277</u>	<u>467,127</u>
The Company's affiliated enterprises	4,286	3,812
Net amount	<u>\$200,563</u>	<u>\$470,939</u>

5. Other receivable - interested party

	<u>2020.12.31</u>	<u>2019.12.31</u>
The Company's subsidiary		
RVC	\$274	\$1,662
Laibao	4,547	1,989
AimCore	2,000	1,353
Laiyang	149	2,008
Ritwin	10,905	-
Other	512	443
Subtotal	<u>18,387</u>	<u>7,455</u>
The Company's affiliated enterprises	1,256	23
Total	<u>\$19,643</u>	<u>\$7,478</u>

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

6. Notes payable and other notes payable - interested party

	2019.12.31	2018.12.31
The Company's subsidiary		
Bolai	\$13,949	\$209,257
Total	\$13,949	\$209,257

7. Account payable - interested party

	2020.12.31	2019.12.31
The Company's subsidiary		
AMI	\$980	\$3,344
Prorit	2,490	10,113
AimCore	1,189	987
Other	1,334	1,497
Subtotal	5,993	15,941
The Company's affiliated enterprises	2,735	3,985
Other interested party		
O-View	864	899
Total	\$9,592	\$20,825

8. Capital loan and interested party

(1) Long-term receivables

	2020.12.31	2019.12.31
The Company's subsidiary		
RVC	\$ -	\$419,384
PVNEXT Corporation	85,300	111,000
RME	-	70,224
Total	\$85,300	\$600,608

(2) Interest revenue

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

	2020	2019
The Company's subsidiary		
RVC	\$12,435	\$8,114
RME	819	41
PVNEXT	2,962	3,000
Total	<u>\$16,216</u>	<u>\$11,155</u>

For the capital loan and conditional recovery of the subsidiary, depending on the capital turnover of the subsidiary, the interest rate ranges in 2020 and 2019 are 1.33%~3.736% and 2.75%~4.4316% respectively; please refer to Note XIII Schedule 1 for relevant instructions. No collateral is provided for the above financing.

9. Contract liability

	2020.12.31	2019.12.31
The Company's subsidiary		
AMI	\$2,918	\$-
HouJu	18,182	9,996
Total	<u>\$21,100</u>	<u>\$9,996</u>

10. Lease — related parties

Rental payment

	2020	2019
The Company's subsidiary		
U-Tech	\$40	\$254
Finesil	-	2,044
Total	<u>\$40</u>	<u>\$2,298</u>

Rental income

	2020	2019
The Company's subsidiary		
Finesil	\$1,043	\$-

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

AimCore	1,176	-
Ritwin	2,353	-
Other interested party	24	-
Subtotal	4,596	-
The Company's affiliated enterprises	486	-
Total	\$5,082	\$-

Right-of-use property

	2020.12.31	2019.12.31
The Company's subsidiary		
AimCore	\$94,483	\$106,862
Finesil	1,115	5,186
Hsin Bao	16,242	18,741
Total	\$111,840	\$130,789

Lease liabilities

	2020.12.31	2019.12.31
The Company's subsidiary		
AimCore	\$98,454	\$110,223
Finesil	1,127	5,203
Hsin Bao	16,434	18,815
Total	\$116,015	\$134,241
Current	\$14,538	\$16,707
Non-current	\$101,477	\$117,534

Financial costs

	2020	2019
The Company's subsidiary		
AimCore	\$223	\$248
Finesil	35	40
Hsin Bao	283	156
Total	\$541	\$444

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

The term of lease and payment are based on the contract. In general, 2 to 15 years for short-term lease, and payment is mainly collected monthly.

11. Endorsement

Up to 2020 and December 31, 2019, the endorsement amount of interested party of the Company is as below:

	2020.12.31	2019.12.31
The Company's subsidiary	\$566,309	\$1,194,969

12. Property transaction

(1) 2020

A. The Company purchases the property, plant and equipment from the following interested party:

Interested party name	Property name	Purchasing price
Other interested party	Machinery equipment and relevant equipment	\$ 1,385

B. The Company sells the property, plant and equipment to the following interested party:

Interested party name	Property name	Disposal price	Disposal benefit
The Company's subsidiary	Machinery equipment	\$11,153	\$57

C. Disposal profit or loss from above transactions has been removed according to IFRS and IAS.

(2) 2019

A. The Company purchases the property, plant and equipment from the following interested party:

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Interested party name	Property name	Purchasing price
Other interested party	Machinery equipment and relevant equipment	\$133

B. The Company sells the property, plant and equipment to the following interested party:

Interested party name	Property name	Disposal price	Disposal benefit
The Company's subsidiary	Machinery equipment	\$215	\$28

C. Disposal profit or loss from above transactions has been removed according to IFRS and IAS.

13. Reward to main management of the Company

	2020	2019
Short-term staff welfare	\$20,910	\$15,027
Benefit after retirement	894	747
Total	\$21,804	\$15,774

VIII. Pledged asset

The Company has the following asset as the pledge:

Item	Book amount		Secured liability
	2020.12.31	2019.12.31	
Financial assets measured at fair value through other comprehensive profit or loss	\$91,371	\$74,884	Bank loan
Account receivable	84,001	185,574	Bank loan
Financial assets measured at amortized cost	53,800	53,743	Bank loan, bond, lease and performance bond
Investment by equity method	872,964	779,502	Bank loan and subsidiary loan endorsement guarantee

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Item	Book amount		Secured liability
	2020.12.31	2019.12.31	
Property, plant and equipment – land	951,077	951,077	Bank loan
Property, plant and equipment – depreciable asset	1,235,489	1,317,429	Bank loan
Investment property	65,872	58,241	Bank loan
Total	<u>\$3,354,574</u>	<u>\$3,420,450</u>	

IX. Material contingent liabilities and unrecognized contractual commitments

1. The Company issued letter of credit for imported raw material and machinery equipment but not used yet:

Unit: NT\$ 1,000	
Currency	Amount
US dollar	\$410
New Taiwan dollar	2,509
Japanese yen	860

2. The guarantee notes issued by the Company for the purchase of machinery equipment, long-term loans, L/C loans for raw materials, lawsuits and issuance of commercial promissory notes are respectively NT\$ 123,010,000. In addition, the Company will collect NT\$ 924,083,000 of guaranteed notes from the manufacturers who purchase goods from the Company and provide labor services to the Company.
3. The amount guaranteed by the banks for loan, imported materials and national taxation booking was total in NT\$ 49,064,000.
4. The Company has entered into the following contracts for the purchase of fixed assets:

	Total contract price		Paid amount		Unpaid amount	
Prepayments for equipment	NT\$	\$2,168	NT\$	\$1,202	NT\$	\$965

5. The Company has entered into the license agreement with SANDISC, PIONEER, ONE BLUE and JVC for the disc and memory card related products, and agreed to

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

pay the royalties to each company based on the sales volume of related products during the validity period of the contract of 5 to 10 years.

X. Major disaster losses

No.

XI. Major subsequent matters

No.

XII. Miscellaneous

1. Types of Financial Instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at fair value through profit or loss:		
Force to measure at fair value through profit or loss	\$60,972	\$50,451
Financial assets measured at fair value through other comprehensive profit or loss	101,112	80,400
Financial assets measured at amortized cost:		
Cash and cash equivalent (excluding the cash on hand)	504,565	673,331
Financial assets measured at amortized cost	53,800	53,743
Bill receivable	4,830	4,055
Account receivable (including interested party)	511,893	937,252
Other account receivable (including the interested party)	32,343	22,019
Subtotal	1,107,431	1,690,400
Total	\$1,269,515	\$1,821,251

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Financial liabilities

	<u>2020.12.31</u>	<u>2019.12.31</u>
Financial liabilities measured at amortized cost:		
Short-term borrowing (including the short-term notes and bills payable)	\$995,733	\$1,076,268
Notes payable and accounts payable (including the interested party)	236,795	514,480
Other payables	319,349	685,585
Long-term loan (including due within one year)	2,062,565	2,447,765
Lease liabilities	116,015	134,241
Lease payable	<u>3,730,457</u>	<u>4,858,339</u>
Subtotal		
Financial liabilities measured at fair value through profit or loss:		
Held for trading	-	11,845
Total	<u>\$3,730,457</u>	<u>\$4,870,184</u>
Total	<u><u>\$995,733</u></u>	<u><u>\$1,076,268</u></u>

2. Financial risk management objectives and policies

The Company's financial risk management objectives are mainly to manage the market risks, credit risks and liquidity risks related to its operating activities. The Company shall identify, measure and manage the aforementioned risks according to the group policies and risk preferences.

The Company has established appropriate policies, procedures and internal controls for the foregoing financial risk management in accordance with the relevant regulations, and the important financial activities shall be subject to be reviewed by the board of directors in accordance with relevant regulations and internal control system. During the implementation of the financial management activities, the Company shall indeed comply with relevant regulations for financial risk management.

3. Market risk

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

The market risk of the Company is Financial Instruments' fair value or cash flow volatility risk caused by market price changes. Market risks mainly include the exchange rate risk, interest rate risk and other price risks (such as the equity Instruments).

In practice, it is rare for the single risk variable to change independently, and the changes of each risk variable are usually correlated. However, the following risk sensitivity analysis does not consider the interaction effect of related risk variables.

Exchange rate risk

The exchange rate risk of the Company is mainly related to its operating activities (when the currency used for revenue or expense is different from the functional currency of the Company) and the net investment of foreign operating institutes.

Partial currency types of foreign currency receivable and foreign currency payable of the Company are the same; at this time, the considerable part shall produce the natural hedge effect; for part of the foreign currency amount, the forward foreign exchange contracts are used to manage the exchange rate risk; since the natural risk aversion and exchange rate risk management by forward foreign exchange contracts does not conform to the stipulations of the hedge accounting, so the hedge accounting is not adopted; in addition, the net investment of foreign operating institutes is the strategic investment, so the Company did not hedge against it.

The sensitivity analysis of the Company's exchange rate risk mainly focuses on the major foreign currency monetary items on the ending day of the financial reporting period, and its related foreign currency appreciation/depreciation will affect the Company's profit or loss and equity. The Company's exchange rate risk is mainly affected by the exchange rate fluctuations of USD, JPY and EUR, and the sensitivity analysis information is as follows:

- (1) When NT\$ vs. USD appreciates/depreciates by 1%, the profit or loss of the Company in 2020 and 2019 will decrease/increase by NT\$ 9,324,000 and NT\$ 15,913,000 respectively.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

- (2) When NT\$ vs. JPY appreciates/depreciates by 1%, the profit or loss of the Company in 2020 and 2019 will increase/decrease by NT\$ 255,000 and NT\$ 347,000 respectively.
- (3) When NT\$ vs. EUR appreciates/depreciates by 1%, the profit or loss of the Company in 2020 and 2019 will decrease/increase by NT\$ 1,166,000 and NT\$ 3,121,000 respectively.

Interest rate risk

The interest rate risks primarily related to the fair value and future cash flow fluctuation resulted by change in market interest rate. The interest rate risks of the Company are mainly from the investment on debts in floating interest rate, fixed interest rate borrowing and floating interest rate borrowing.

The Company manages the interest rate risk by maintaining appropriate combination of fixed and floating interest rates, supplemented by the interest rate swap contract; however, it does not apply the hedge accounting since it does not comply with the hedge accounting requirements.

The sensitivity analysis related to interest rate risk focuses on the critical risk item at the ending day of financial reporting period, including the floating interest rate investment, floating interest rate loan and interest rate swap contract, and assumes to hold for one fiscal year; when the interest rates increase/decrease ten basis points, the profit or loss of the Company in 2020 and 2019 will reduce/increase NT\$ 3,174,000 and NT\$ 3,658,000.

Equity price risk

The fair value of listed and unlisted equity securities held by the Company may be affected by the uncertainty of future value of such investment subjects. The listed and unlisted equity securities held by the Company all include categories measured at fair value through profit and loss and fair value through other comprehensive profit and loss. The Company manages the price risks of equity securities via diversified investment and set limit aiming at single and overall equity securities investment. The information regarding investment portfolio of equity securities must be provided to executive management of the Company periodically. Meanwhile, the Board of Directors shall review and approve the decision to all equity securities investment.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

For the listed equity securities measured at fair value through profit and loss, the income of the Company would be decreased/increased NT\$ 610,000 and NT\$ 505,000 in 2020 and 2019 respectively when the price of these equity securities increases/decreases by 1%.

For the listed company stock in equity instrument investment measured at fair value through other comprehensive profit or loss, when the price of these equity securities increases/decreases by 1%, the impact on the equity of the Company in 2018 is NT\$ 675,000.

Please refer to Note XII. 9 for sensitivity analysis information of other equity instruments or derivative instruments linked to equity instruments at fair value Level 3.

4. Credit risk management

Credit risk refers to the risk of financial loss arising from the failure of counterparty to perform its obligations under the contract. The Company's credit risk is caused by its operating activities (mainly the accounts receivable and bills) and financial activities (mainly the bank deposits and various financial instruments).

The Company's each unit manages the credit risk following the policies, procedures and control of credit risk. All of the counterparty credit risk evaluation system considers the counterparty's financial situation, rating agencies rating, past history and trading experience, current economic environment and the Company's internal rating standards and other factors. The Company also uses certain credit enhancement tools in the right time (such as the advance payment and insurance, etc.), in order to reduce the specific counterparty credit risk.

Up to December 31, 2020 and December 31, 2019, the top ten client accounts receivable occupy 37% and 56% of the Company's accounts receivable balance respectively, and the credit concentrated risk of the rest accounts receivable is relatively insignificant.

The accounting department of the Company manages the credit risks of bank deposits, fixed income securities and other financial instruments in accordance with the Group policy. As the trading objects of the Company are determined by the internal control procedures and are the banks with good credit and financial

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

institutions of high investment grade, corporate organizations and government agencies, so there are no significant credit risks.

The Company adopts IFRS 9 to evaluate credit losses in addition to accounts receivable in term of expected credit loss to measure the reserve for losses; for the rest of the profit or loss measure at fair value not through debt instrument investment, its original purchase is on the premise of lower credit risk, to assess whether the credit risk is significantly increased at each balance sheet day after the original recognition, to determine the method to measure the reserve for loss and its loss ratio.

The Company will also write off the financial assets when it assesses that it is not reasonably expected to recover (such as when the issuer or debtor has material financial difficulties or is bankrupt).

To increase the debt instruments credit risk investment, the Company will dispose such investment in proper time to reduce the credit losses. When adopting IFRS 9 to evaluate the expected credit losses, the evaluation forward-looking information (to be obtained without excessive cost or input) still includes the overall economy information and industry information, and it shall adjust the loss rate when the forward-looking information will have further significant impact.

5. Liquidity risk management

The Company maintains the financial flexibility through the cash and cash equivalent, liquid securities and bank loan contract. The table below is the summary of the Company's financial liability contract stated payment due, which is prepared according to the earliest date that may be required to pay and based on its undiscounted cash flow; the amount listed also includes the contract interest. To pay the interest cash flow at the floating interest rate, the amount of undiscounted interest is derived from the interest rate curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
2020.12.31					
Loan	\$2,127,055	\$886,994	\$19,597	\$-	\$3,033,646

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

Short-term					
notes payable	25,000	-	-	-	25,000
Account					
payable	556,144	-	-	-	556,144
Lease	13,944	27,888	27,888	47,699	117,419
payable					
2019.12.31					
Loan	\$1,549,270	\$1,919,205	\$104,169	\$-	\$3,572,644
Short-term					
notes payable	25,000	-	-	-	25,000
Account					
payable	1,200,065	-	-	-	1,200,065
Lease	17,274	29,831	27,888	61,650	136,643
payable					

Derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
2019.12.31					
Gross					
settlement					
Stock					
Inflow	\$11,845	-	-	-	\$11,845
Outflow	(12,500)	-	-	-	(12,500)
Net	<u>\$ (655)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (655)</u>

6. Liability adjustment from financing activity

2020 liability adjustment information:

	Short-term borrowing	Short-term notes and bills payable	Long-term loan (including due within one year)	Other non- current liability	Lease liabilities	Total liability from financing activity
2020.1.1	\$1,051,275	\$24,993	\$2,447,765	\$4,959	\$134,241	\$3,663,233
Cash flow	(80,501)	(34)	(385,200)	(12,005)	(15,799)	(493,539)
Non-cash	-	-	-	43,540	(2,427)	41,113

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

flow						
2019.12.31	\$970,774	\$24,959	\$2,062,565	\$36,494	\$116,015	\$3,210,807

2019 liability adjustment information:

	Short-term borrowing	Short-term notes and bills payable	Long-term loan (including due within one year)	Other non- current liability	Lease liabilities	Total liability from financing activity
2019.1.1	\$1,402,136	\$224,827	\$2,448,200	\$3,123	\$121,255	\$4,199,541
Cash flow	(350,861)	(199,834)	(435)	12,283	(13,999)	(552,846)
Non-cash flow	-	-	-	(10,447)	26,985	16,538
2019.12.31	\$1,051,275	\$24,993	\$2,447,765	\$4,959	\$134,241	\$3,663,233

7. Fair value of Financial Instruments

(1) Techniques and assumptions used to evaluate the fair value

Fair value means the price that market participants collect by selling the assets or are required to pay for the transfer of liabilities in the orderly transaction on the measurement day. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- A. Book amount of cash and cash equivalent, accounts receivable, accounts payable and other current liabilities is the reasonable approximate value of fair value, which is mainly because this kind of instruments have short maturity period.
- B. The fair value of financial assets and financial liabilities traded in active markets with standard terms and conditions shall be determined by reference to the market quotation.
- C. The fair value of equity instrument without active market cannot be estimated, and the fair value is estimated by the price from market transactions of equity instrument of similar or comparable companies and

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)
other critical information.

- D. For the debt instruments investment, bank borrowings and other non-current liabilities without active market, the fair value is determined by counterparty quotation or evaluation technology; the evaluation technique is based on the cash flow discount analysis, and the interest rate and discount rate assumptions are mainly based on the information of similar tools.
- E. The fair value of derivative financial instruments without active market quotation, including non-option derivative financial instruments, are calculated with the cash flow discount analysis based on counterparty quotation or interest rate curve applicable for the existence period; for the option derivative financial instruments, the fair value is calculated by counterparty quotation, appropriate option pricing model or other evaluation methods.

(2) Fair value of Financial Instruments measured at amortized cost

The book amount of financial assets and financial liabilities measured at amortized cost is close to the fair value.

(3) Fair value information of Financial Instruments

The fair value information of Financial Instruments shall refer to Note XII. 9.

8. Derivative instruments

As of December 31, 2020 and 2019, the Company did not hold derivative instruments unsatisfactory to hedge accounting and undue.

9. Fair value level

(1) Fair value level definition

All assets and liabilities measured or disclosed at fair value are classified into their fair value levels according to the lowest input value of importance to the overall fair value. Input values of each level are as follows:

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
 (Unless otherwise stated, the unit shall be in NT\$ 1,000)

Level 1: able to acquire the same assets or liabilities on the measurement day in the active market (unadjusted).

Level 2: directly or indirectly observable input values of assets or liabilities, except those included in Level 1.

Level 3: input values of assets or liabilities not observable.

The classification of assets and liabilities recognized on repeatable basis in the financial statements is reassessed on the end of each reporting period to determine whether the fair value level transfer occurs.

(2) Fair value measurement level information

The company does not have the assets that are not repeatable as measured by fair value. The fair value level information of repeatable assets and liabilities is listed as follows:

December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset measured at fair value:				
Measured at fair value through profit or loss				
Financial assets				
Stock	\$12,219	\$22,563	\$-	\$34,782
Fund	26,190	-	-	26,190
Measured at fair value through other comprehensive profit or loss				
Equity instrument measured at fair value through other comprehensive profit or loss	101,112	-	-	101,112

December 31, 2019:

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)
 (Unless otherwise stated, the unit shall be in NT\$ 1,000)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset measured at fair value:				
Measured at fair value through profit or loss				
Financial assets				
Stock	\$11,241	\$22,563	\$-	\$33,804
Fund	16,647	-	-	16,647
Measured at fair value through other comprehensive profit or loss				
Equity instrument measured at fair value through other comprehensive profit or loss	80,400	-	-	80,400

Transfer between the first and second levels of the fair value hierarchy

In 2020 and 2019, the assets and liabilities of the Company measured at repeated fair value were not transferred between level 1 and level 2 fair value measurements.

Details of changes in Level 3 of repeatable fair value hierarchy

For assets of the Company measured at repeated fair value attributed to level 3 fair value measurement, the reconciliation of balance from beginning to the end is shown as follows:

December 31, 2019: None

December 31, 2018: None

Significant unobservable input information at Level 3 of the fair value hierarchy

The significant unobservable input values of the assets measured by Level 3 of the Company's fair value hierarchy as measured by the repeatable fair value are listed in the following table:

December 31, 2019: None

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

December 31, 2018: None

Evaluation process of Level 3 fair value measurement

Investment department of the Company is responsible for the fair value verification, through the independent source data to make the evaluation results close to the market status, confirm the data source is independent, reliable, consistent with other resources, and on behalf of the executable prices, and make the analysis for value changes of assets and liabilities in the remeasurement or reassessment according to the Group accounting policies on every reporting day, to ensure that the evaluation result is reasonable.

- (3) Fair value hierarchy information not measured at fair value but necessary to be exposed

December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset only disclosing the fair value:				
Investment by equity method (refer to Note VI.8)	\$2,440,519	\$-	\$-	\$2,440,519
Investment property (refer to Note VI.10)	-	-	229,492	229,492

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset only disclosing the fair value:				
Investment by equity method (refer to Note VI.8)	\$2,168,147	\$-	\$-	\$2,168,147
Investment property (refer to Note VI.10)	-	-	229,492	229,492

10. Information of foreign currency financial assets and liability of the Company with significant influence:

RITEK CORPORATION
Notes to Individual Financial Statements (Continued)
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

	2020.12.31			2019.12.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>						
Monetary item:						
USD	\$40,729	28.0490	\$1,142,446	\$70,993	29.9560	\$2,126,689
JPY	23,985	0.2707	6,493	23,406	0.27470	10,241
EUR	3,397	34.3400	116,650	9,333	33.4400	312,090
CNY	1,276	4.2900	5,473	1,274	4.2850	5,458
Non-monetary item:						
USD	180	28.1000	5,071	242	30.0400	7,264
GBP	1,365	38.3500	52,350	1,645	39.4500	64,898
<u>Financial liabilities</u>						
Monetary item:						
USD	7,643	28.1490	215,144	18,020	30.1160	542,678
JPY	116,332	0.2747	31,956	161,357	0.2787	44,971

Due to the variety of the Company's functional currencies, it is not possible to disclose the exchange profits and losses of monetary financial assets and financial liabilities according to the foreign currency of each significant impact. The foreign currency exchange profit (loss) of the Company in 2020 and 2019 were NT\$ (59,818,000) and NT\$ (73,363,000) respectively.

The above information is disclosed on the basis of foreign currency book amount (converted to functional currency).

11. Capital management

The primary objective of the capital management of the Company is to maintain the sound credit rating and good capital ratio, to support the operation of the Company and the maximization of shareholders' equity. The Company manages and adjusts its capital structure according to the economic situation, and may

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

achieve the purpose of maintaining and adjusting its capital structure by adjusting the dividend payments, returned capital or new shares issuing.

XII. Note disclosures

1. Relevant information of major transactions

- (1) Fund loan and others: refer to Schedule 1.
- (2) Endorsement for others: refer to Schedule 2.
- (3) Held the negotiable security at the end of the period: refer to Schedule 3.
- (4) Accumulated buying or selling of same negotiable security reaching NT\$ 300 million or more than 20% of paid-in capital: refer to Schedule 4.
- (5) Acquired property amount reaching NT\$ 300 million or more than 20% of paid-in capital: None.
- (6) Disposed property amount reaching NT\$ 300 million or more than 20% of paid-in capital: None.
- (7) Amount of purchase and sale with interested party reaching NT\$ 100 million or more than 20% of paid-in capital: refer to Schedule 5.
- (8) Amount receivable of interested party reaching NT\$ 100 million or more than 20% of paid-in capital: None.
- (9) Engaging in derivative instrument transaction: refer to Schedule 12.

2. Information regarding investees:

The information regarding investees not in Mainland China over which the Company exercises significant influence, control or control via joint venture directly or indirectly: please see Schedule 6.

3. Mainland China investment information: refer to Schedule 7.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

(Unless otherwise stated, the unit shall be in NT\$ 1,000)

4. Information regarding major shareholders: as of December 31, 2020, no major shareholder holding shares over 5%.

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 1: Financings Provided

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the year	Ending Balance Approved by the Board of Directors	Actual Amount Drawn Down Ending Balance	Interest Rate Range	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Counter-party	Limit on Financier's Total Financing
													Name	Value		
0	RITEK Technology	PVNEXT Corporation	Long-term receivables	Yes	\$111,000	\$85,300	\$85,300	2.580%	2	\$-	Working capital	\$-	None	\$-	\$602,433	\$1,204,867
0	RITEK Technology	RME	Long-term receivables	Yes	70,875	-	-	-	2	-	Working capital	-	None	-	(Note 2)	(Note 2)
0	RITEK Technology	RVC	Long-term receivables	Yes	452,445	-	-	-	2	-	Working capital	-	None	-	"	"
2	Zhongyuan International Venture Capital Co., Ltd.	PVNEXT Corporation	Long-term receivables	Yes	80,000	80,000	80,000	2.580%	2	-	Working capital	-	None	-	93,056	93,056
3	Zhongfu Investment Co., Ltd.	PVNEXT Corporation	Long-term receivables	Yes	40,000	40,000	40,000	2.580%	2	-	Working capital	-	None	-	(Note 3)	(Note 3)
															52,262	52,262
															(Note 3)	(Note 3)

Note 1: As for Nature of Financing Provided, 1 refers to business transaction and 2 refers to short-term financing.

Note 2: The maximum financial limit is not more than 20% of the net value of the Company, and the financial limit for each counter-party is not more than 10% of the net value of the Company.

Note 3: The maximum financial limit is not more than 20% of the net value of counter-party, and the financial limit for each borrowing company is not more than 20% of the net value of the Company.

Attached table 2: Collaterals/Guarantee Provided

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/Guarantee	Maximum balance accumulated up to the end of this	Ending Balance	Actual Amount Drawn Down	Amount of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to	Maximum Collateral/Guarantee Amounts	Provision of Endorsements	Provision of Endorsements to
		Name	Relationship (Note)									
0	RITEK Technology	Zhongyuan International Venture Capital Co., Ltd.	2	\$1,807,300	\$150,000	\$50,000	\$50,000	\$50,000	0.83	#####	Y	
0	"	Zhongfu Investment Co., Ltd.	2	"	100,000	50,000	50,000	50,000	0.83	"	Y	
0	"	Bolai Technology Co., Ltd.	2	"	300,000	50,000	-	-	0.83	"	Y	
0	"	RVC	2	"	334,809	176,709	74,223	-	2.93	"	Y	
0	"	Laiyang Technology Co., Ltd.	2	"	532,600	239,600	194,636	-	3.98	"	Y	
1	Hutek Corporation	RITEK Technology	3	205,555	225,000	170,000	170,000	-	24.81	342,592	Y	Y
2	U-tech Technology Co., Ltd.	Dollars cultural and creative industry company	2	345,893	90,000	40,000	-	-	1.73	691,787	Y	
3	Houju Energy Development Co., Ltd.	Yuan-Yu Solar Energy Co., Ltd.	5	212,797	50,000	50,000	-	-	4.70	478,794	Y	
4	AimCore Technology Co.,	Finesil Technology Co., Ltd.	2	624,439	186,500	186,500	186,499	-	8.96	1,040,732	Y	

Note 1: Based on "Company Operating Procedures of Endorsement and Guarantee", the total amount of guarantee provided is 50% of the current net value. For each company, the total amount of guarantee provided is 30% of the endorsement/guarantee amount of Hutek Corporation shall not exceed 50% of current net worth of Hutek Corporation. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 30% of current net worth of U-tech Technology Co., Ltd. shall not exceed 30% of current net worth of Houju Energy. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 15% of current net worth of U-tech Technology Co., Ltd. shall not exceed 45% of current net worth of Houju Energy. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 30% of current net worth of U-tech. Among them, the endorsement/guarantee amount of AimCore Technology Co., Ltd. shall not exceed 50% of current net worth of U-tech. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 30% of current net worth of U-tech.

Note 2: The relationship between the collaterals/guarantee provider and the counter-party is as follows:

- (1)The company with business transaction
- (2)The Company owns directly or indirectly over 50% ownership of the investee company.
- (3)The investee company owns directly or indirectly over 50% ownership of the Company.
- (4)The Company owns directly or indirectly over 90% ownership of the investee company.
- (5)Companies that guarantee each other in accordance with the provisions of the contract between its peers or co-creators based on the needs of undertaking works.
- (6)Company that guaranteed by all the contributing shareholders according to the shareholding ratio due to the joint investment relationship.
- (7)In accordance with the consumer protection law, the joint guarantee of performance for the sale contract of pre-sale houses among peers.

Individual financial statements of RITEK Technology Co., Ltd. (Continued)

(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 3: Marketable securities held (excluding investment subsidiaries, affiliated enterprises and joint venture control part)

Holding Company	Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	End of the year of 2019		Notes
				Shares (1,000)	Carrying Value	
RITEX Technology	COMBIO	None	Financial assets at fair value through profit or loss-current	279	\$12,471	
	FOSSMICON INTEGRATED TECHNOLOG	"	"	2	5,685	
	NN(US) High Dividend - YD(AM) USD	"	"	200	1,610	
	Yunfa Taiwan High-yield Leading Company Ft	"	"	100	942	
	Taiwan Strategy Senior Total Return High Yield	"	"	450	4,028	
	Taiwan Senior Secured High Yield Bond Fund R	"	"	300	6,180	
	MegaPro Biomedical Co., Ltd.	The chairman of our company is a director of this company	"	2	5,372	
	Hua Nan WE Multi-Asset Fund	None	"	15	4,607	
	Capital Moderate Allocation Fund of Funds	"	"	200	1,617	
	Annual TW - US Dollar Core Fixed Income Fur	"	"			
Total				\$42,512	\$42,512	
Zhongtuan International Venture Capital Co., Ltd.	I-Chuan Precision Industry Co., Ltd.	The chairman of our company is a director of this company	Financial assets at fair value through other comprehensive gain and loss-noncurrent	275	\$2,596	0.14
	China TeleVision Co., Ltd.	None	"	188	976	0.12
	Gianplus Technology Co., Ltd.	"	"	1,804	17,608	0.41
	Sunplus Technology Co., Ltd.	"	"	2,904	32,671	0.49
	GIGASTORAGE CORPORATION	"	"	265	1,967	0.08
	Imolux Display Group	"	"	1,201	11,678	0.01
	Total				\$67,496	\$67,496
	Asia Pacific Investment Grade Government	None	"	200	\$1,734	-
	Franklin Templeton SinoAm AI Hi-Tech Fund-	"	"	217	1,996	-
	Fuh Hwa China New Economy Balance Fund	"	"	100	856	-
O-BANK NO. 1 REITs	"	"		\$4,586	\$4,586	
Total						
Zhongtu Investment	Legend Crown Investment Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	1,820	\$48,012	5.20
	China TeleVision Co., Ltd.	"	"	256	1,329	0.17
	Huazhi Venture Capital Co., Ltd.	The subsidiary is the legal supervisor of this company	"	726	9,308	9.17
	O-View Technology Co., Ltd.	The subsidiary is the legal director of this company	"	16	163	3.26
	Total				\$58,812	\$58,812
	O-BANK NO. 1 REITs	None	Financial assets at fair value through profit or loss-current	100	\$856	-
	GREEN RICH TECHNOLOGY CO., LTD.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	27	\$95	0.27
	Manulife Industries Co., Ltd	"	"	87	2,027	0.12
	True Test Technology Inc.	"	"	322	1,663	1.01
	Total				\$3,785	\$3,785
Bohai Technology Co., Ltd.	Hua-Win Technology Co., Ltd.	The subsidiary is the legal director of this company	Financial assets at fair value through profit or loss-current	99	\$3,079	0.03
	HiSHIN KUANG STEEL CO., LTD	None	Financial assets at fair value through profit or loss-current			
	Common stock of Taiwan Semiconductor Manuf	"	"			
	Common stock of FOXSEMICON INTEGRATI	"	"			
	Common stock of eMemory Technology Inc.	"	"			
	Common stock of APTER CORP. LTD.	"	"			
	Common stock of COLOGIC CORP. LTD.	"	"			
	Common stock of UNITED MICROELECTRONICS CORP	"	"			
	Common stock of Hon Hai Precision Industry Co., Ltd	"	"			
	Common stock of CHILSIEN ELECTRONICS COR	"	"			
Common stock of JETBEST CORPORATION	"	"				
Common stock of KINSEUS INTERCONNECT TECHNOLOGY CORI	"	"				
Lubao Technology Co., Ltd.	Taiwan Financial Holding Co., Ltd (E) preferred	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent			
	Chen Feng Optoelectronics (CFOC) Common st	"	"			
	Hamstar Display Corp.	None	Financial assets at fair value through profit or loss-current	27	\$802	0.03
	KAIMEI ELECTRONIC CORP.	"	"	1,075	10,449	0.01
	FOXSEMICON INTEGRATED TECHNOLOG	"	"	80	3,170	0.24
	WSECHIP SEMICONDUCTOR INC.	"	"	2	3,170	-
	Shin Feng Optoelectronics Co., Ltd. Preferred	"	"			
	DANKIN MATERIALS CORP.	"	"			
	FENG CHING METAL CORPORATION	"	"			
	U-MING MARINE TRANSPORT CORP.	"	"			
APQ International CO. Ltd. FORMOSA GLOB	"	"				
GLOBAL BRANDS MANUFACTURE LTD.	"	"				
TAIWAN SURFACE MOUNTING TECHNOLOG	"	"				
Shin Feng Specialty&Applied Materials Co Ltd	"	"				
WELL TECH ENERGY INC	"	"				
Total				\$18,972	\$18,972	
U-seech Technology Co., Ltd	Pan-Cai Co., Ltd	None	Financial assets at fair value through other comprehensive gain and loss-current	254	\$6,815	0.79
	Manulife Taiwan Dynamic Fund A	None	"			
	UPAMC Global AOT Fund TWD	"	"	1,000	\$10,146	-
	CTBC Hua Win Money Market Fund	"	"	502	7,197	-
	I-Chuan Precision Industry Co., Ltd.	"	"	500	4,355	-
	Total				7,772	-
	PAIHO SHIH HOLDINGS CORPORATION	"	"		\$29,470	\$29,470
	Taiwan Name Place Co., Ltd.	None	"	2,626	106,344	0.90
	Total				\$188	\$188
	Total				\$109,532	\$109,532
Houfa Energy Development	Chang Hong Co., Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	500	\$7,185	0.41
	Handa Venture Capital Co., Ltd.	"	"	1,614	27,425	21.55
	Wanda Venture Capital Co., Ltd.	"	"	5,000	47,248	14.93
	Total				\$81,858	\$81,858
Gloey Days Services Ltd.	Legend Crown Investment Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent			
	Yun Yu Energy Co., Ltd.	The subsidiary is the legal supervisor of this company	Financial assets at fair value through other comprehensive gain and loss-noncurrent			
Dollars cultural and creative	Universe stars Co., Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	3,430	\$90,561	9.80

Individual financial statements of RITEK Technology Co., Ltd. (Continued)

(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 4: The cumulative amount of buying or selling the same securities amounts to NT\$300 million or more than 20% of the paid-in capital.

Currency Unit: thousand dollars

Purchaser/seller	Securities Type and Name	Financial Statement Account	Trading partners	Number of shares (thousand shares)/thousand units	Amount	Buy		Sell				End of the year of 2020		
						Number of shares (thousand shares)/thousand units	Amount	Price	Book cost	Gain (Loss) on Disposal	Number of shares (thousand shares)/thousand units	Amount		
PlexBio, Co., Ltd.	Score High	Investments accounted for using equity method	(Note 1)	-	\$ -	14,000	\$ 412,230 (Note 1)						14,000	\$ 406,190
	RVC	Investments accounted for using equity method	(Note 1)	140,279	768,553	19,721	580,609 (Note 1)		(372,060) (Note 2)				160,000	\$ 977,102

Note 1: Cash refund

Note 2: Recognition by equity method

Note 3: Sell

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 5: Purchase and sale of goods from or to related parties reaching NT\$ 100 million or more than 20% of the paid-in capital or more

Purchaser/seller	Counter-party	Relationship with the counter-party	Transaction		Credit term	Differences in transaction terms compared to general transactions and reasons		Notes/accounts receivable		Notes
			Purchases(sales)	Amount		Percentage of total purchases(sale)	Unit price	Balance	Percentage of total notes/account	
RITEK Technology	AMI	The company is the ultimate holding company of this company	(Sales)	\$(135,494)	75 Days	None	None	\$16,845	1	
	Conrexx	The company is the ultimate holding company of this company	(Sales)	(151,657)	75 Days	"	"	15,525	1	
	Kunshan Kunlun Trade Co., Ltd. Total	The company is the ultimate holding company of this company	(Sales)	<u>(153,047)</u> <u>\$(440,198)</u>	60 Days	"	"	<u>67,399</u> <u>\$99,769</u>	<u>6</u> <u>8</u>	
RITEK Technology	RVC	The company is the ultimate holding company of this company	Purchases	\$604,002	60-90 Days	"	"	\$62,879	5	
	Prorit Corporation	Invested company accounted for using equity method	Purchases		150 Days	"	"		0	
Kunshan Kunlun	Hutek Corporation	Affiliated subsidiary	(Sales)		90-120 Days	"	"		5	
	Laibao Technology Co., Ltd.	Others	Purchases	\$212,306	90 Days	The specifications of purchased products are different and cannot be reasonably	30-90 days for non-related parties	\$ (153,651)	23	
U-tech Technology Co., Ltd.	Glory days	Affiliated subsidiary	(Sales)		90 adays			\$-	-	

Note: The method of disclosure is based on sales or purchase, and its relative transactions will not be disclosed separately.

Investor Company	Investee Company	Location	Main Business activities	Initial investment amount		Held % of common shares		Carrying amount	Current gain (loss) on disposal	Investment gain (loss) on disposal, net of tax	Notes
				Ending of 2019	Ending of 2018	Number of shares (in thousands)	Sharehold- ing rate %				
RITEK Technology Co., Ltd.	ADANCE	B.V.L.	Investment and holding of various production enterprises	\$1,198,163	\$1,210,982	34,269	100.00	\$433,679	\$483	\$483	(64,530)
	ART	B.V.L.	Investment and holding of various production enterprises	838,418	838,418	26,652	100.00	311,632	(64,530)	(64,530)	(157,928)
	GO Global	U.S.A.	Investment and holding of various production enterprises	1,305	1,305	378	23.14	5,071	(157,928)	(157,928)	(10,357)
	Max Online	B.V.L.	Investment and holding of various production enterprises	5,171,711	5,171,711	156,293	100.00	1,059,665	73	73	(304,448)
	RGI	Cayman	Investment and holding of various production enterprises	2,062,912	2,062,912	54,801	100.00	110,225	659,445	(307,442)	(34,663)
	Stow High	B.V.L.	Investment and holding of various production enterprises	5,752,468	5,759,771	177,608	92.69	659,445	5,082	19,066	(1,436)
	Sky Chance	Siam	Investment and holding of various production enterprises	67,648	67,648	111	100.00	331,693	5,511	(52,313)	(2)
	Zhongshan Venture Capital	Taiwan	Venture capital investment	2,752,697	2,788,482	40,391	100.00	884	19,863	(1,417)	(2,313)
	Zhongxi Investment	Taiwan	General investment	2,417,976	2,447,976	105,851	100.00	860,689	5,449	5,449	(2,313)
	PVHXY Corporation	Taiwan	Manufacturing of electronic components and business	901,200	901,200	36,048	43.12	(27,486)	116,454	24,800	(2,485)
Sheng Yuan Biotechnology Co., Ltd. (Sheng Yuan Biotech)	Taiwan	Energy technology	1,000	1,000	100	100.00	984	206,554	84,346	(507)	
AmfCore Technology Co., Ltd.	Taiwan	Manufacturing of electronic components	157,248	157,248	14,564	21.27	344,864	19,863	(1,417)	(2,313)	
AmfCore Techlog	Taiwan	Manufacturing of electronic components	3,123,997	3,123,997	26,031	85.87	860,689	5,449	5,449	(2,313)	
U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	388,917	388,917	32,489	100.00	116,454	116,454	116,454	(2,485)	
U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	6,320	6,320	250	100.00	1,250	206,554	84,346	(507)	
U-Tech Media Corporation	Taiwan	Manufacturing and processing of organic light-emitting display	7,786,803	7,812,142	26,729	40.11	740,733	6,981	(17,097)	(1,969)	
U-Tech Media Corporation	Taiwan	Lighting equipment manufacturing	100,000	100,000	10,000	100.00	6,981	19,863	(1,417)	(2,313)	
Right In Technology Co., Ltd.	Taiwan	Manufacturing of electronic components and business	7,000	7,000	700	70.00	(5,031)	10,357	10,357	(1,969)	
Zhongxi Investment	AmfCore Technology Co., Ltd.	Taiwan	Manufacturing of electronic components	96,015	96,015	2,298	3.24	69,521	19,863	(1,417)	(2,313)
Zhongxi Investment	Bohai Technology Co., Ltd.	Taiwan	Electronic industry	2,621	2,621	298	0.10	1,034	5,449	5,449	(2,313)
Zhongxi Investment	Bohai Technology Co., Ltd.	Taiwan	Electronic industry	378,112	378,112	31,063	9.91	106,661	116,454	116,454	(2,485)
Zhongxi Investment	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	75,351	75,351	3,778	2.59	8,053	116,454	116,454	(2,485)
AFLUENCE	Ritek	Great Britain	Investment holding	994,657	1,006,461	672	80.92	433,429	73	73	(44,502)
ART	AMI	USA	Sales of optical discs	423,780	423,780	6,100	100.00	259,895	(44,502)	(44,502)	(11,473)
RGI	Corvex	Netherlands	Sales of optical discs	750,610	750,610	12	100.00	100,427	68,669	68,669	73
RGI	Ritek	Great Britain	Investment holding	63,552	64,160	35	4.17	143	68,669	68,669	73
RGI	RME	Germany	Investment holding	391,800	391,800	1,000	100.00	-	68,669	68,669	73
SCOREHOLD	RVC	Vietnam	Manufacture and marketing of optical discs	4,826,844	4,246,235	160,000	100.00	977,102	(298,761)	(298,761)	(1,969)
Ritek Co., Ltd.	Rimhan Karu Trade Co., Ltd.	China	Sales of optical discs	CNY900	CNY900	1,000	100.00	CNY2,443	CNY2,434	CNY2,434	(1,969)
Sky Chance	Tam Dy	Malaysia	Sales of optical discs	62,763	62,763	-	0.00	-	(843)	(843)	(1,969)
Sky Chance	RITEK LATIN AMERICA	America	Sales of parts	4,490	4,490	150	100.00	-	(843)	(843)	(1,969)
Bohai Technology Co., Ltd.	Mifwood	B.V.L.	Investment holding	1,855,410	1,850,407	57,582	100.00	306,607	(2,761)	(2,761)	(1,969)
Bohai Technology Co., Ltd.	Stow High	B.V.L.	Investment and holding of various production enterprises	412,230	412,230	14,000	7.31	406,190	(264,468)	(264,468)	(1,969)
Bohai Technology Co., Ltd.	Stow High	B.V.L.	Investment and holding of various production enterprises	27,124	37,655	4,083	6.04	140,853	206,554	206,554	(1,969)
Bohai Technology Co., Ltd.	U-Tech Media Corporation	Taiwan	Manufacturing and marketing of optical discs	11,114	11,114	1,008	0.69	15,866	116,454	116,454	(2,485)
Bohai Technology Co., Ltd.	TOGDWIN TECHNOLOGY CO., LTD.	Taiwan	Manufacture and marketing of optical discs	50,000	50,000	641	0.00	50,448	2,132	2,132	(1,969)
Mifwood	Pont Corporation, Vietnam Ltd.	Vietnam	Electronic industry	\$375,614	\$388,611	-	100.00	\$21,274	\$3,603	\$3,603	(1,969)
Labuo Technology Co., Ltd.	PNKST Corporation	Taiwan	Electronic industry	90,000	90,000	3,400	4.31	-	(52,313)	(52,313)	(1,969)
Labuo Technology Co., Ltd.	PNKST Corporation	Taiwan	Electronic industry	30,000	30,000	1,350	31.03	37,341	(13,177)	(13,177)	(1,969)
Labuo Technology Co., Ltd.	Labuo Tech Assets Co., Ltd.	Taiwan	Investment holding	55,000	55,000	5,500	78.74	55,214	6	6	(1,969)
Labuo Technology Co., Ltd.	CASHIDOC Corporation	Taiwan	Electronic industry	40,996	40,996	3,933	78.66	52,176	5,817	5,817	(1,969)
AmfCore Technology Co., Ltd.	AmfCore Corporation	Taiwan	Manufacturing and sales of electronic materials, etc.	32,000	40,000	3,200	80.00	29,137	(1,771)	(1,771)	(1,969)
AmfCore Technology Co., Ltd.	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	96,990	102,573	11,304	7.74	12,570	116,454	116,454	(2,485)
AmfCore Technology Co., Ltd.	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	207,588	207,588	6,500	100.00	59,721	15,866	15,866	(1,969)
AmfCore Technology Co., Ltd.	ARMOR INDUSTRIAL GROUP	Taiwan	Investment holding	272,177	272,177	26,565	29.18	31,047	81,924	81,924	(1,969)
AmfCore Technology Co., Ltd.	Houji Energy Development Co., Ltd.	Taiwan	Solar energy	78,155	78,155	8,322	71.13	94,842	8,817	8,817	(1,969)
AmfCore Technology Co., Ltd.	Finell Technology Co., Ltd.	Taiwan	Chemical Materials Manufacturing	75,000	-	3,000	31.58	78,417	13,555	13,555	(1,969)
AmfCore Technology Co., Ltd.	JHEN JHIAN CO., LTD.	Taiwan	Optical material manufacturing and sales	1,000	-	-	100.00	2,175	1,032	1,032	(1,969)
AmfCore Technology Co., Ltd.	Yi Zh Corporation	Taiwan	Optoelectronic Materials and Components Manufacturing	148,500	148,500	11,257	100.00	95,990	6,042	6,042	(1,969)
U-Tech Media Corporation	Dollar cultural and creative industry company	Taiwan	Cultural and creative industries	290,000	290,000	11,111	100.00	62,313	(52,313)	(52,313)	(1,969)
U-Tech Media Corporation	Bohai Technology Co., Ltd.	Taiwan	Solar cell manufacturing	23,653	23,653	1,971	0.63	6,516	5,449	5,449	(2,313)
U-Tech Media Corporation	Labuo Technology Co., Ltd.	Taiwan	Electronic industry	36,111	36,111	4,986	7.48	146,243	206,554	206,554	(1,969)
U-Tech Media Corporation	Labuo Technology Co., Ltd.	Taiwan	Manufacturing and processing of organic light-emitting display	5,000	5,000	500	100.00	3,309	206,554	206,554	(1,969)
U-Tech Media Corporation	Houji Energy Development Co., Ltd.	Taiwan	Renewable energy self-use power generation	642,860	642,860	64,559	70.82	753,515	81,924	81,924	(1,969)
U-Tech Media Corporation	Jade Investment Services Ltd.	Taiwan	Investment holding	106,501	399,051	1,685	100.00	241,304	14,390	14,390	(1,969)
U-Tech Media Corporation	Lai Factory Co., Ltd.	Taiwan	Investment holding	40,000	40,000	4,000	30.77	35,820	(10,917)	(10,917)	(1,969)
Houji Energy Development Co., Ltd.	Hou Cheng Tinding Co., Ltd.	Taiwan	Renewable energy self-use power generation equipment industry	1,000	1,000	100	100.00	874	(42)	(42)	(1,969)
Jade Investment Services Ltd.	Laiyang Technology Co., Ltd.	Taiwan	Textile manufacturing	346,808	276,650	32,725	99.17	345,892	21,348	21,348	(1,969)
Jade Investment Services Ltd.	Group Days Services Ltd.	DVT	Investment holding	186,981	479,431	3,920	100.00	240,951	14,630	14,630	(1,969)
Group Days Services Ltd.	U-Tech Media Korea Co., Ltd.	Korea	Manufacture and marketing of optical discs	121,766	121,766	832	100.00	34,577	(1,181)	(1,181)	(1,969)

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 7:

1. Information on investments in China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from	Amount of investment remitted or recovered		Accumulated amount of remittance from	Current profit (loss) of the invested company	Shareholding ratio of the company's	Investment income (loss) recognized in the	Book value of investment at the end of the period	Unit: NT\$ 1000 Investment income remitted back to Taiwan
					Remitted	Recovered						
Chongqing Hsinhua Multimedia Development Co., Ltd.	Blank recording disc, etc	USD12,000	Note 1	\$205,918 USD5,880	\$-	\$-	\$205,918 USD5,880	\$-	49.00%	\$-	\$-	\$-
Kunshan Hutek Corporation	"	USD82,000	"	\$2,674,127 USD82,000	\$-	\$-	\$2,674,127 USD82,000	\$(338,374)	100.00%	\$(338,374)	\$690,527	\$-
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	Solar module	USD65,529	"	\$1,305,615 USD42,600	\$-	\$-	\$1,305,615 USD42,600	\$(241,000)	65.01%	\$(193,451)	\$622,645	\$-

Investee in Mainland China	Accumulative amount of investment remitted from Taiwan to the	Investment amount approved by the Investment Commission	Ceiling on investments in Mainland China imposed by the Investment Commission
Chongqing Xinhua Multimedia Development Co., Ltd.	USD5,880	USD5,880	
Kunshan Hutek Corporation	USD82,000	USD99,400	\$3,614,600
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	USD42,600	USD43,000	

Note 1: Investment method: investing in China through a third area company (MAXONLINE)

2. The following significant transactions with investee in China directly or indirectly through the third area, with the price, payment terms, unrealized gain(loss):

- (1) Purchase (sale) of goods: None.
- (2) Property transactions: No significant property transactions.
- (3) The ending balance of the notes/bills endorsement guarantee/collateral and its purpose: please refer to Attached Table 2 for details.
- (4) The maximum balance, ending balance, interest rate range and total interest for the current period of financing: None.
- (5) Other transactions that have a significant impact on the profit(loss) of the current period or the financial situation: None.

Note 3: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant.

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 7-1: PYNEXT Corporation
1. Information on investments in China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
Lilai (Yangzhou) Optoelectronic	Solar module	USD65,529	Direct investment	\$287,730 USD10,000	\$-	\$-	\$287,730 USD10,000	\$(234,864)	15.26%	\$(35,840)	\$79,863	\$-

Unit: NT\$ 1000

Investee in Mainland China	Accumulative amount of investment remitted from Taiwan to the mainland at the end of	Investment amount approved by the Investment Commission of	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	USD10,000	USD10,000	(Note 1)

Note 1: The amount of investment has exceeded the ceiling on investments in China imposed by the Investment Commission of MOEA due to the continuous loss of PYNEXT Corporation.

Note 2: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 7-2: AimCore Technology
1. Information on investment in China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of business of	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Unit: NT\$, 1000
					Remitted	Recovered						investment income remitted back to Taiwan as of the current period
AimCore Technology Co., Ltd.(Yangzhou)	Production and sales of conductive glass	USD6,500	Note 1	\$207,588 USD6,500	\$-	\$-	\$207,588 USD6,500	\$(36,219)	100.00%	\$(36,219)	\$75,403	\$-

Investee in China	Accumulative amount of investment remitted from Taiwan to China	Investment amount approved by the	Ceiling on investments in China imposed by the Investment Commission of MOEA
AimCore Technology Co., Ltd.(Yangzhou)	USD6,500	USD8,000	\$1,565,597

Note 1: Investment method: investing in China through a third area company (ARMOR)

Note 2: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 7-3: Prorit Corporation
1. Information on investment in China

Investee in China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end	Current profit (loss) of the invested company	Shareholding ratio of the company's investment	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current
					Remitted	Recovered						
Kunshan Golden Glue Co., Ltd.	Plastic precision injection	USD45,223	Note 1	\$1,480,325 USD45,223	\$-	\$-	\$1,480,325 USD45,223	\$2,156	100.00%	\$2,156	\$285,326	\$-

Unit: NT\$ 1,000

Investee in China	Accumulative amount of investment remitted from Taiwan to China	Investment amount approved by the Investment Commission of	Ceiling on investments in China imposed by the Investment Commission of
Kunshan Golden Glue Co., Ltd.	USD45,223	USD45,223	\$620,484 (Note 2)

Note 1: Investment method: investing in China through a third area company (Arlewood)

Note 2: The amount of investment has exceeded the ceiling on investments in China imposed by the Investment Commission of MOEA due to the continuous loss of Prorit Corporation.

Note 3: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant

Individual financial statements of RITEK Technology Co., Ltd. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 5: Accounts receivable from related parties reaching NT\$ 100 million or more than 20% of paid-in capital:

Company name	Related party	Relationship	Ending balance	Turnover	Overdue		Amounts received in	Allowance for bad
					Amount	Action taken		
RITEK Technology	Conrexx	The company is the ultimate holding company						
RITEK Technology	Max Online	Invested company accounted for using equity method					\$-	
RITEK Technology	RVC	The company is the ultimate holding company						
RITEK Technology-Other receivables	RVC	The company is the ultimate holding company						
RITEK Technology	Kunshan Kunlai Trade Co., Ltd.	The company is the ultimate holding company	16.44					
RITEK Technology-Long-term receivables	PVNEXT Corporation	Invested company accounted for using equity method					-	
RITEK Technology-Long-term receivables	RVC	The company is the ultimate holding company					\$-	
Zhongfu Investment Co., Ltd.- Other receivables	RITEK Technology	Our company						
Zhongyuan International Venture Capital Co., Ltd.- Long-term receivables	PVNEXT Corporation	The company is the ultimate holding company						
Laibao Technology Co., Ltd.	Hutek Corporation	Invested company accounted for using equity method						
RVC	RITEK Technology	Subsidiary, Invested company accounted for using equity method						
Hutek Corporation	RITEK Technology	Invested company accounted for using equity method						
Hutek Corporation	Kunshan Kunlai Trade Co., Ltd.	Subsidiary, Invested company accounted for using equity method						
Bolai Technology Co., Ltd.	RITEK Technology	Parent company						
Bolai Technology Co., Ltd.- Other receivables	RITEK Technology	Parent company						
Hutek Corporation	Laibao Technology Co., Ltd.	Others						
AimCore Technology-Lease payments receivable	RITEK Technology	Parent company						

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of Ritek Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Ritek Corporation and its subsidiaries (collectively, the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor(s), we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Judgement of Consolidated Components

According to International Financial Reporting Standards of Republic of China No. 10, regardless of the nature of the investment, investor should assess whether they have control over investee in order to determine whether they are parent company. Since the Company does not have shareholding ratio over 50% for some consolidated components, the judgement of whether the Company has control over them would significantly influence the preparation and fair presentation of the consolidated financial statement, therefore we conclude that judgement of control over consolidated components whose shareholding ratio is not over 50% is a key audit matter.

The audit procedures we performed included but not limited to the following related audit procedures: review the group's investment structure, inquire the shareholding ratios of the subsidiaries, assess the number of seats and ratio of current board of directors, verify the proxy forms that directly or indirectly held majority voting power and inquire into evidence exhibiting the actual ability to significantly impact related activities, including the main management, to confirm that Ritek Corporation has control over all merged entities.

We assessed appropriateness of disclosures regarding consolidation of the Company and its subsidiaries. Please refers to Notes 4 and 5 for related consolidation information.

Non-Financial Assets Impairment

The Company recognized consolidated property, plant and equipment in the amount of NT\$9,474,412 thousand as of December 31, 2020, which represented 48% of total consolidated assets. Due to the Company's year-end loss in 2020, its assets may be impaired. In fact, the assessment procedure of no-financial assets impairment highly involves making assumptions and estimation, therefore we conclude that impairment of non-financial assets is a key audit matter.

The audit procedures we performed included but not limited to the following related audit procedures: assess judgement of the Company on signs of impairment for the cash generation unit; measure the recoverable amount of the asset or cash generating unit, which is the higher of the fair value less the cost and the use value; examine the Company's historical data and other external industrial analysis report to assess the rationality of the assumption and discount rate that were used for impairment testing; assess the rationality of the key assumption that was made by management when forecasting future cash flow (including sales growth rate and gross profit margin rate by products).

We assessed appropriateness of disclosures regarding non-financial assets impairment of the Company and its subsidiaries. Please refer to Notes 4, 5 and 6 for related consolidation information.

Revenue Recognition

The Company recognized consolidated sales revenue in the amount of NT\$6,578,209 thousand in 2020. The main activities of the Company are the sale and manufacturing of CD-ROM, OLED, conductive glass and green products (solar module / LED / battery and related products), and other optical products. Build to order method was adopted for transactions. Different contract terms were made in response to the market traits and customers' demands. Since the timing of the satisfaction of performance obligation needs to be determined based on each contract term, we conclude that revenue recognition is a key audit matter.

The audit procedures we performed included but not limited to the following related audit procedures: assess the appropriateness of the Company's revenue recognition accounting policy and understand revenue recognition procedures of identified performance obligations ; evaluate and test the design and effectiveness of internal control over the timing of revenue recognition when performance obligations satisfied ; perform analytical procedure for selling price, sales volume, cost and gross profit margin by products and also for the top 10 customers; select samples to perform tests of details, review terms of contracts and supporting documents to verify the appropriateness and reasonableness of the timing of revenue recognition; perform cut-off testing for revenue before and after the balance sheet date and review supporting documents to ensure revenue was recognized in the proper period; review huge sales returns subsequent to the balance sheet date and clarify the cause and nature; and perform general journal entries test.

We assessed appropriateness of disclosures regarding revenue recognition of the Company and its subsidiaries. Please refer to Notes 4 and 6 for related consolidation information.

Other Matter – Making Reference to the Audit(s) of (a) Component Auditor(s)

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$1,458,793 thousand and NT\$2,516,864 thousand, constituting 7% and 12% of consolidated total assets as of December 31, 2020 and 2019, respectively, and total operating revenues of NT\$296,597 thousand and NT\$726,241 thousand, constituting 5% and 9% of consolidated operating revenues for the years ended December 31, 2020 and 2019, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates under equity method amounted to NT\$82,460 thousand and NT\$38,925 thousand, representing 0% and 0% of consolidated total assets as of December 31, 2020 and 2019, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(4,722) thousand and NT\$4,101 thousand, representing 1% and 0% of the consolidated net income before tax for the years ended December 31, 2020 and 2019, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(1,742) thousand and NT\$(602) thousand, representing 1% and 0% of the consolidated other comprehensive income for the years ended

December 31, 2020 and 2019.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019.

HSU, JUNG-HUANG
TU, JIA-LING
Ernst & Young, Taiwan
March 26, 2021



Unit: NTS\$1000

Code	Accounts	December 31, 2020		December 31, 2018	
		Amount	%	Amount	%
1100	Current assets				
1110	Cash and cash equivalents	\$4,187,025	21	\$4,045,515	19
1120	Financial assets at fair value through profit or loss-current	368,835	2	212,648	1
1136	Financial assets at fair value through other comprehensive profit and loss-current	12,513	-	26,237	-
1150	Financial assets measured at amortized cost-current	106,745	1	118,857	1
1160	Net notes receivable	26,581	-	28,905	-
1170	Notes Receivable-related parties				
1175	Net accounts receivable	1,131,615	6	1,120,613	6
1180	Lease payment receivables	-	-	-	-
1197	Net accounts receivable-related parties	7,166	-	7,258	-
1200	Net of finance lease receivables	2,235	-	1,997	-
1210	Other Non-operating Receivables				
1220	Other Non-operating Receivables-related parties				
130x	Current tax assets				
1400	Inventory	1,439,936	7	2,133,518	10
1410	Biological transformation-current				
1450	Prepayments				
1460	non-current assets (or disposal groups) as held for distribution to owners				
1470	non-current assets held for sale				
14xx	Other current assets	390,191	2	434,596	2
11xx	Total current assets	7,672,842	39	8,130,144	39
1510	Non-current assets				
1517	Financial assets at fair value through profit or loss-Noncurrent	80,042	-	109,936	1
1527	Financial assets at fair value through other comprehensive profit and loss-Non-current	368,586	2	506,348	2
1535	Financial asset in held-to-maturity-noncurrent				
1550	Financial assets measured at amortized cost-noncurrent	172,810	1	163,413	1
1600	Investments accounted for using equity method	140,667	1	38,925	-
1750	Property, plant and equipment	9,474,412	48	10,264,640	49
1755	Net Accounts of Natural Resources				
1760	right-of-use asset	325,140	2	313,279	1
1780	Net investment property	373,522	2	343,650	2
1840	Intangible assets	555,664	3	590,530	3
1900	Deferred tax assets	327,158	2	382,527	2
1935	Other non-current assets	16,572	-	65,387	-
1960	Long-term lease payment receivables				
194D	Current prepayments for investments				
1970	Net of long-term finance lease receivables	-	-	-	-
15xx	Other long-term investments	44,254	-	46,611	-
	Total non-current assets	11,878,827	61	12,825,246	61
1xxx	Total assets	\$19,551,669	100	\$20,955,390	100

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-jing

Manager: Yeh, Chwei-jing

Chief Account: Shih, Gu-Fu



RITEH (China) Finance Holdings Limited
 Consolidated Balance Sheet
 December 31, 2020 and 2019

Code	Liabilities and Equity Accounts	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
2100	Current liabilities				
2110	Short-term borrowings	\$1,639,797	9	\$1,744,767	8
2120	Short-term notes and bills payable	44,951	-	78,883	1
2125	Financial liabilities at fair value through profit or loss-current	-	-	11,845	-
2130	Derivative financial liability for hedging - non-current	-	-	-	-
2145	Contract liabilities-current	-	-	-	-
2150	Finance liabilities at cost-current	-	-	-	-
2160	Contract liabilities-current	42,522	-	50,920	-
2170	Notes payable	-	-	-	-
2180	Notes payable-related parties	629,373	3	657,308	3
2200	Accounts payable	863	-	899	-
2220	Accounts payable-related parties	647,000	3	631,227	3
2230	Other payables	196	-	-	-
2250	Other accounts payable - related parties	7,972	-	16,399	-
2280	Current income tax liability	-	-	-	-
2300	Provisions - Current	-	-	-	-
2320	Liabilities included in disposal groups classified as held for sale	-	-	-	-
2350	Lease liabilities - current	25,656	-	39,098	-
2380	Lease liabilities - non-current	121,195	1	105,733	1
2400	Other current liabilities	1,356,413	7	1,172,211	6
2420	Long-term liabilities maturing within one year or one operating cycle	-	-	-	-
2450	Total current liabilities	4,515,938	23	4,509,290	22
2500	Non-current liabilities				
2510	Financial liability at fair value through profit or loss-noncurrent	385	-	-	-
2525	Derivative financial liability for hedging - non-current	-	-	-	-
2530	Financial liabilities carried at cost-noncurrent	-	-	-	-
2540	Bonds payable	327,030	2	-	-
2550	Long-term loans	3,936,993	20	4,814,255	23
2570	Non-current provisions	-	-	-	-
2580	Deferred tax liabilities	47,595	-	35,517	-
2640	Lease liabilities - noncurrent	216,915	1	196,789	1
2660	Net defined benefit liabilities-noncurrent	148,346	1	168,243	1
2670	Deferred Credits-Gains on Inter-Affiliate Accounts	-	-	-	-
2680	Other non-current liabilities	70,521	-	63,045	-
28xx	Total non-current liabilities	4,747,785	24	5,277,849	25
29xx	Total liabilities	9,263,723	47	9,787,139	47
31xx	Equity attributable to owners of the parent				
3100	Capital stock				
3110	Common stock	6,936,797	35	12,841,579	61
3120	Capital - preferred stock	-	-	-	-
3130	Certificates of Bond-to-Stock Conversion	-	-	-	-
3140	Advance Receipts for Common Stock	-	-	-	-
3150	Stock Dividend to be Distributed	-	-	-	-
3160	Certificate of Entitlement form preferred stock to common stock	-	-	-	-
3200	Total capital stock	1,147,123	6	1,129,918	5
3300	Capital surplus	-	-	-	-
3310	Retained earnings	(891,794)	(5)	(5,904,783)	(28)
3320	Loss to be made up	-	-	-	-
3350	Total amount of retained earnings	(1,167,793)	(6)	(1,059,203)	(5)
3400	Other owner's equity	4,263,613	23	4,160,740	20
3500	Non-controlling interests	-	-	-	-
36xx	Total owner's equity	10,287,946	53	11,168,251	53
38xx	Total liabilities and owner's equity	\$19,551,669	100	\$20,955,390	100

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu


 RITEK Technology Co., Ltd. and its Subsidiaries
 Consolidated Statements of Comprehensive Income
 From January 1 to December 31 of 2020 and 2019

Unit: NT\$1000

Code	Accounts	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
4000	Operating income	VI.22 and VII	\$6,578,209	115	\$7,779,123	107
5000	Operating costs	VI.8, 24, 25 and VII	5,700,940	100	7,240,537	100
5900	Operating gross profit		877,269	15	538,586	7
6000	Operating expenses	VI.24, 25 and VII				
6100	Selling expenses		474,008	8	512,162	7
6200	General and administration expenses		720,381	13	763,224	11
6300	Research and development expenses		146,486	3	182,507	3
6450	Expected credit impairment benefits	VI.23	18,302	-	56,716	1
	Total operating expenses		1,359,177	24	1,514,609	22
6900	Operating loss		(481,908)	(9)	(976,023)	(15)
7000	Non-operating income and expenditure	VI.26				
7100	Interest income		20,955	-	44,576	1
7010	Other income	VII	391,209	7	229,401	3
7020	Other profit and loss		(491,898)	(9)	(1,592,857)	(22)
7050	Financial costs		(156,806)	(3)	(179,399)	(2)
7055	Expected credit impairment loss	VI.21	-	-	-	-
7060	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI.9	(11,307)	-	4,101	-
	Total non-operating income and expenditure		(247,847)	(5)	(1,494,178)	(20)
7900	Net loss before tax		(729,755)	(14)	(2,470,201)	(35)
7950	Income tax expense	VI.28	(71,972)	-	(101,281)	(1)
8200	Net loss for the year		(801,727)	(14)	(2,571,482)	(36)
8300	Other comprehensive gain and loss	VI.27				
8310	Components of other comprehensive income that will not be reclassified to profit or loss.					
8311	Remeasurements of defined benefit plans	VI.20	11,079	-	(31,875)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive gain(loss)		(141,220)	(2)	(70,218)	(1)
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss	VI.26	-	-	-	-
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss	VI.28	(5,075)	-	5,075	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange difference on translation of financial statements of foreign operations		(73,147)	(2)	(95,612)	-
8370	Share of other comprehensive gain(loss) of associates and joint ventures accounted for using equity method-items that					
	Share of (loss) -items that may be reclassified subsequently to profit or loss	VI.9	(1,742)	-	(602)	-
8399	Income tax relating to the items that may be reclassified subsequently to profit or loss	VI.28	64	-	1,847	-
	Other comprehensive income for the year (net of income tax)		(210,041)	(4)	(191,385)	(1)
8500	Total comprehensive income for the year		<u>\$ (1,011,768)</u>	<u>(18)</u>	<u>\$ (2,762,867)</u>	<u>(37)</u>
8600	Net profit (loss) attributable to :					
8610	Owners of parent company		\$ (897,386)		\$ (2,254,907)	
8620	Non-controlling interests		95,659		(316,575)	
			<u>\$ (801,727)</u>		<u>\$ (2,571,482)</u>	
8700	The total comprehensive profit(loss) attributable to :					
8710	Owners of parent company		\$ (1,000,383)		\$ (2,295,160)	
8720	Non-controlling interests		(11,385)		(467,707)	
			<u>\$ (1,011,768)</u>		<u>\$ (2,762,867)</u>	
	Loss per share (NT\$)	VI.29				
9750	Basic loss per share					
	Net loss for the year		<u>\$ (1.29)</u>		<u>\$ (3.25)</u>	

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu



RITHK Creative Co., Ltd. and its subsidiaries
 Consolidated Statement of Changes in Equity
 From January 1 to December 31, 2019 and 2020
 (Review only and not subject to audit procedures)

Unit: NT\$1,000

Item	Capital stock	Capital surplus	Loss to be covered	Other equity			Total	Non-controlling interest	Total equity
				Exchange difference on translation of financial statements of foreign operations	Unrealized gains/(losses) on financial assets at fair value through other comprehensive income	Retained earnings of the parent			
Balance as of January 1, 2019	3100	3200	3350	3410	31XX	36XX	3XXX		
Effects of retroactive application and retrospective restatement as of January 1, 2019	\$12,841,579	\$950,835	\$6,583,955	\$(629,035)	\$(409,674)	\$9,169,750	\$4,037,714	\$13,207,464	
Balance after restatement as of January 1, 2019	-	-	-	-	-	-	-	-	
Capital surplus used to cover accumulated deficits	-	-	-	-	-	-	-	-	
Change in other capital surplus	-	-	-	-	-	-	-	-	
Produced by consolidated	-	-	-	-	-	-	-	-	
Produced as a result of receiving	-	-	-	-	-	-	-	-	
recognizing equity due to the issuance of convertible corporate bonds - stock opt	-	-	-	-	-	-	-	-	
Changes in ownership interests in subsidiaries:	-	-	-	-	-	-	-	-	
Net loss in 2019	-	-	(2,254,907)	-	(2,254,907)	(316,575)	(2,571,482)		
Other comprehensive income in 2019	-	-	(17,185)	(75,055)	51,987	(151,132)	(191,385)		
Total comprehensive income	-	-	(2,272,092)	(75,055)	51,987	(2,295,160)	(467,707)	(2,762,867)	
Capital reduction for covering loss	-	-	-	-	-	-	-	-	
The shares of parent company disposed by a subsidiary	-	-	-	-	-	-	-	-	
The shares of subsidiary actually acquired or disposed	-	1,503	-	-	1,503	208,335	209,838		
Change in the ownership of subsidiary	-	177,580	(46,162)	-	131,418	386,216	517,634		
The disposal of equity instrument measured at fair value	-	-	(2,574)	-	2,574	-	-		
Changes in equity of non-controlling equity	-	-	-	-	-	(3,818)	(3,818)		
The disposal of equity instrument measured at fair value	-	-	-	-	-	-	-		
Treasury Stock Retired	-	-	-	-	-	-	-		
Treasury Stock Acquired	-	-	-	-	-	-	-		
Balance as of December 31, 2015	\$12,841,579	\$1,129,918	\$6,904,783	\$(704,090)	\$(655,113)	\$7,007,511	\$4,160,740	\$11,168,251	
Balance as of January 1, 2020	\$12,841,579	\$1,129,918	\$6,904,783	\$(704,090)	\$(655,113)	\$7,007,511	\$4,160,740	\$11,168,251	
Effect of retrospective application and retrospective restatement as of January 1, 2020	-	-	-	-	-	-	-	-	
Capital surplus	-	-	-	-	-	-	-	-	
Produced by consolidated	-	-	-	-	-	-	-	-	
Produced as a result of receiving	-	-	-	-	-	-	-	-	
The project is composed of recognizing equity due to the issuance of convertible corporate bonds - stock option	-	-	(897,386)	(78,883)	(30,118)	(897,386)	95,659	(801,727)	
Changes of Associates Account for Using Equity Method	-	-	6,004	(78,883)	(102,997)	(107,044)	(107,044)	(210,041)	
Changes of Associates Account for Using Equity Method	-	-	(891,382)	(78,883)	(30,118)	(1,000,383)	(11,385)	(1,011,768)	
Capital reduction for covering loss	(5,904,782)	-	5,904,782	-	-	-	-	-	
The shares of parent company disposed by a subsidiary	-	-	-	-	-	-	-	-	
The shares of subsidiary actually acquired or disposed	-	44,800	-	-	44,800	172,625	217,425		
Change in the ownership of subsidiary	-	(27,595)	-	-	(27,595)	71,109	43,514		
The disposal of equity instrument measured at fair value	-	-	(411)	-	411	-	-		
Changes in equity of non-controlling equity	-	-	-	-	-	(129,476)	(129,476)		
The disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	-	-	-		
Treasury Stock Retired	-	-	-	-	-	-	-		
Balance as of December 31, 2020	\$6,936,797	\$1,147,123	\$(891,794)	\$(782,973)	\$(384,820)	\$(6,024,333)	\$(4,263,613)	\$10,287,946	

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

RITEK Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2020
And January 1 to December 31, 2019
(Unless otherwise stated, the amount unit shall be in NT\$ 1,000)

I. Company History

RITEK CORPORATION (hereinafter referred to as the Company) was established in December 1988, whose main business includes the manufacturing process and material sales and import and export business of the optical information products, memory products and related production equipment (including the peripheral). The Group stock has been listed on the Taiwan Stock Exchange since April 1996, whose domicile and major operating base is located in No. 42, Guangfu N. Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan.

II. Date and Procedure Passing the Financial Statements

Consolidated Financial Statements of 2020 and 2019 of the Group and subsidiaries (hereinafter referred to as the Group) were passed and issued by the Board of Directors on March 26, 2021.

III. Application of Newly-Issued and Revised Criteria and Interpretations

1. Accounting policy changes caused by the first application of International Financial Reporting Standards

The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations or Interpretation Notice (IFRIC) approved by Financial Supervisory Commission (hereinafter referred to as FSC) in the accounting years from January 1, 2020; except for the following new criteria and corrective and influential interpretations, the rest first applications have no great influence to the Group:

The Group chose to apply the amendment to the International Financial Reporting Standards No. 16 "COVID-19 Related Rent Concessions" approved by the FSC for the fiscal year since January 1, 2020, and deal with it in accordance with the transitional requirements of the amended standards. For the relevant rent concessions that are consistent with the direct result of the COVID-19 pandemic, it chooses not to evaluate whether it is a lease modification, and the rent concessions are treated as a lease payment change. Please refer to Note 6 for the disclosure of the notes related to the lessee in accordance with the amendment.

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

2. The Group has not adopted the following IASB issued and FSC approved newly issued, revised and amended criteria or interpretations:

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	Interest Rate Benchmark Reform—the second stage (Amendments to International Financial Reporting Standards No. 9, International Accounting Standards No. 39, International Financial Reporting Standards No. 7, International Financial Reporting Standards No. 4 and International Financial Reporting Standards No. 16)	January 1, 2021

- (1) Interest Rate Benchmark Reform—the second stage (Amendments to International Financial Reporting Standards No. 9, International Accounting Standards No. 39, International Financial Reporting Standards No. 7, International Financial Reporting Standards No. 4 and International Financial Reporting Standards No. 16)

The amendments in this final stage mainly focus on the impact of changes in interest rate indicators on corporate financial statements, including:

- A. As for changes in the basis for determining the contractual cash flow of financial instruments that are required by the change in interest rate indicators, the book value of financial instruments will not be delisted or adjusted, but the change in the alternative indicator interest rate will be reflected in the way of updating the effective interest rate;
- B. When hedging still meets the requirements of hedging accounting, the use of hedging accounting will not be stopped due to the changes required by the reform; and
- C. For new risks caused by the change and how to manage the transition to the alternative target interest rate, disclosure information is required.

The Group assessed that the above-mentioned amendments applicable to the fiscal year since January 1, 2021 will not have a significant impact on the Group.

3. Up to the date of approval of the financial statements, the Group has not adopted the following newly issued, revised and amended criteria or interpretation issued by IASB but not approved by FSC:

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – asset sale or investment between the investor and its affiliates or joint ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)	January 1, 2023
4	Amendments to the limited scope of International Financial Reporting Standards, including amendments to International Financial Reporting Standards No. 3, International Accounting Standards No. 16, and International Accounting Standards No. 37, as well as annual improvements	January 1, 2022
5	Disclosure initiative-accounting policy (amendment to International Accounting Standard No. 1)	January 1, 2023
6	Definition of accounting estimates (amendment to International Accounting Standard No. 8)	January 1, 2023

- (1) Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – asset sale or investment between the investor and its affiliates or joint ventures

This plan is to deal with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" concerning the loss of control of affiliated enterprises or joint ventures through the investment of subsidiaries. IAS 28 stipulates that when investing the non-monetary assets to exchange for the equity of affiliated enterprises or joint ventures, the share of profit or loss generated shall be written off in accordance with the downstream transaction processing method; while IFRS 10 stipulates that all benefits or losses arising from the loss of control over the subsidiaries shall be recognized. This amendment limits the foregoing provision in IAS 28 to the extent that the benefits or losses arising from the sale or investment of business assets as defined in IFRS 3 shall be fully recognized.

This amendment also modifies IFRS 10 so that, in the event that the sale or

RITEK CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

(Unless otherwise stated, the amount unit shall be in NTD 1,000)

investment between the investor and its affiliates or joint ventures does not constitute the business subsidiary as defined in IFRS 3, the profit or loss arising therefrom shall be recognized only in the scope of shares not enjoyed by the investor.

(2) IFRS 17 “Insurance Contracts”

This criterion provides the comprehensive model of Insurance Contracts, including all accounting related parts (recognition, measurement, expression and disclosure principles). The core of this criterion is the general model. Under this model, the original recognition measures the Insurance Contracts group by the sum of performance cash flow and contract service margin, in which the performance cash flow includes:

- A. Future cash flow estimates
- B. Discount rate: reflecting the adjustment of time value of money and the financial risk related to future cash flow (which is not included in the estimated value of future cash flow); and
- C. Risk adjustment for non-financial risks

Book amount of the insurance contract group at the end of each reporting period is the sum of the remaining insurance liabilities and claim liabilities incurred.

In addition to the general model, it also provides:

- A. Specific applicable method with direct participation of featured contracts (variable fee method)
- B. Simplified method of short-term contracts (premium sharing method)

After the standard was issued in May 2017, another amendment was issued in June 2020. This amendment will extend the effective date by 2 years except in the transition clause (that is, it was postponed from January 1, 2021 to January 2023) and provided additional exemptions. It simplifies some regulations to reduce the cost of adopting this standard, and amends some regulations to make some situations easier to explain. The effectiveness of this standard will replace the transitional standard (that is, International Financial Reporting Standard No. 4 "Insurance Contracts")

(3) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

This is amendment to classification of liabilities from section 69 to section 76 of IAS 1“Expression of Financial Statement” as current or noncurrent.

- (4) Amendments to the limited scope of International Financial Reporting Standards, including amendments to International Financial Reporting Standards No. 3, International Accounting Standards No. 16, and International Accounting Standards No. 37, as well as annual improvements

- A. Update the index of the conceptual framework (amendment to International Financial Reporting Standards No. 3)

This amendment replaces the old index version on the conceptual framework of financial reporting and updates IFRS No. 3 with the latest version of the index published in March 2018. An exception to the recognition principle has been added to avoid possible "Day 2" gains or losses due to liabilities and contingent liabilities. In addition, clarify existing guidelines for contingent assets that are not affected by the replacement structure index.

- B. Real estate, plant and equipment: income before intended use (amendment to International Accounting Standard No. 16)

This amendment is to prohibit the company from deducting the sale amount from the cost of real property, plant and equipment related to the items generated when the company prepares assets for its intended use. On the contrary, the company recognizes such sales revenue and related costs in profit and loss.

- C. Loss-making contracts-the cost of contract fulfillment (amendment to International Accounting Standard No. 37)

This amendment clarifies the cost that should be included in the company's assessment of whether the contract is loss-making.

- D. Improvements to International Financial Reporting Standards from 2018 to 2020

Amendment to International Financial Reporting Standards No. 1

This amendment simplifies the measurement of cumulative conversion adjustments for applying IFRS No. 1 when the subsidiary becomes the first applicable one after the parent company.

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Amendment to International Financial Reporting Standards No. 9 "Financial Instruments"

This amendment clarifies the expenses involved when the company evaluates whether the new contract terms or modified terms of financial liabilities are significantly different from the original financial liabilities.

Amendment to the Interpretation of IFRS No. 16 "Leasing"

This amends the lease incentives related to the improvement of the lessee's rights in Example 13.

Amendment to International Accounting Standards No. 41

This amendment removes the provision that cash flow is not included in tax when measuring fair value, so that the fair value measurement provisions of International Accounting Standard No. 41 are consistent with the relevant provisions of other international financial reporting standards.

- (5) Disclosure initiative-Accounting policy (amendment to International Accounting Standard No. 1)

This amendment is to improve the disclosure of accounting policies to provide investors and other major users of financial statements with more useful information.

- (6) The definition of accounting estimates (amendment to International Accounting Standards No. 8)

This amendment directly defines accounting estimates and makes other amendments to Accounting Standards No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to help companies distinguish between changes in accounting policies and changes in accounting estimates.

The standards or interpretation above are issued by IASB but not endorsed by FSC. The actual effective date shall be governed by FSC. Except for potential effects of the newly issued or revised standards (1), (3)~(6) now in evaluation of the Group which the impacts cannot be reasonably estimated temporarily, all remaining standards or interpretations newly issued or revised are without material impact to the Company.

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

IV. Summary Statement of Major Accounting Policies

1. Compliance declaration

Consolidated Financial Statements of 2020 and 2019 of the Group are prepared in accordance with Security Issuer Financial Reporting Standards and effective IFRS, IAS, and IFRIC issued and approved by FSC.

2. Preparation basis

Financial Instruments in the Consolidated Financial Statements, as measured by fair value, are prepared at historical cost. Consolidated Financial Statements are in the unit of NT\$ 1,000, unless otherwise noted.

3. Consolidation condition

Preparation principles of consolidated financial statements

Control is achieved when the Group is exposed to changes in remuneration or rights to enjoy such changes in remuneration arising from the participation of the investee, and through its power over the investee to influence such remuneration. In particular, the Group only controls the investee if it has the following three control elements:

- (1) the power over the investee (i.e., existing right to give the current ability to lead relevant activities)
- (2) the risk or right of change of remuneration arising from the participation of the investee, and
- (3) the ability to use its power over the investee to influence the amount of the investor's remuneration

Where the Group directly or indirectly holds the voting rights less than a majority of the investee or similar rights, the Group shall consider all relevant facts and circumstances to assess whether it has power over the investee, including:

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

- (1) contractual agreements with other holders of voting rights of the investee
- (2) rights arising from other contractual agreements
- (3) voting rights and potential voting rights

When the facts and circumstances show that one or more of the three control elements have changed, the Group shall re-evaluate whether it still controls the investee.

The subsidiaries shall be incorporated into the consolidated financial statements from the date of acquisition (i.e., the date on which the Group gains control), until the date on which the Group loses control of the subsidiaries. The accounting period and policies of the subsidiary's financial statements shall be consistent with those of the parent company. All intra-group account balances, transactions, unrealized internal gains or losses and dividends due to intra-group transactions shall be eliminated in full.

The change of stock equity in subsidiary shall be treated as the equity matter if the control of the subsidiary is not lost.

The aggregate profit and loss of subsidiary is attributable to the owner of the Group and non-controlling equity, even if the non-controlling equity results in loss balance.

If the Group loses control of its subsidiaries, it shall

- (1) derecognize the assets (including the goodwill) and liabilities of the subsidiaries;
- (2) derecognize the book amount of any non-controlling equity;
- (3) recognize the fair value of the consideration obtained;
- (4) recognize the fair value of any investment retained;
- (5) recognize any benefit or loss as the current profit or loss;
- (6) reclassify the number of items previously recognized as other comprehensive profits and losses of the parent company to the current profits and losses.

The main body for preparing the consolidated financial statements is as follows:

Percentage of equity
held

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Investment company name	Subsidiary name	Primary business	2020.12.31	2019.12.31
RITEK and subsidiary	Ritdisplay Corporation	OLED manufacturing and trading	55.30 (Note1)	59.05
RITEK and subsidiary	U-tech Technology Co., Ltd.	CD manufacturing and selling	33.66	33.66
RITEK and subsidiary	PlexBio, Co., Ltd.	Plastic precision injection	96.50	96.50
RITEK	Chung-Fu Investments Ltd.	General investment business	100.00	100.00
RITEK	Chung-Yuan Venture Capital Fund Ltd.	Venture capital investment business	100.00	100.00
RITEK and subsidiary	AimCore Technology Co., Ltd.	Conductive glass manufacturing and trading	24.78	24.78
RITEK and subsidiary	PVNEXT Corporation	Battery manufacturing and trading	61.31	61.31
RITEK	RiteDia Co., Ltd.	Lighting equipment manufacturing	100.00	100.00
RITEK and U-tech Technology Co., Ltd.	Ricare Corporation	Management consulting	50.00	100.00
			(Note 2)	
			(Note 3)	
RITEK	Sheng Yuan Biotechnology Co., Ltd. (Original name: Holi Energy Corporation)	Energy technology	100.00	100.00
RITEK	ART Management Ltd	Holding company	100.00	100.00
RITEK	Affluence International Co., Ltd (B.V.I)	Holding company	100.00	100.00
RITEK	Max Online Ltd.(B.V.I)	Holding company	100.00	100.00
RITEK	Ritek Group Inc. (Cayman)	Holding company	100.00	100.00
RITEK and PlexBio	Score High Group Ltd. (B.V.I)	Holding company	100.00	100.00
RITEK and subsidiary	Ritrax Corp. Ltd.(U.K.)	Trademark right company	100.00	100.00
RITEK	Sky Chance International Ltd.	Holding company	100.00	100.00
Sky Chance	Team Diy Hardware Sdn. BHD	Hardware trading	-	51.00
			(Note 4)	
Sky Chance	Ritek Latin America	Sales of chemical materials	100.00	100.00

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Investment company name	Subsidiary name	Primary business	Percentage of equity held	
			2020.12.31	2019.12.31
U-Tech	Dollars cultural and creative industry company	Cultural and creative industry	100.00	100.00
U-Tech	Jade Investment Services Ltd.	Holding company	100.00	100.00
U-Tech	Havard Industries Co., Ltd.	Property development and trading	100.00	100.00
U-Tech and AimCore	HouJu Energy Development Co., Ltd.	Renewable energy self-use power generation equipment industry	100.00	100.00
HouJu	Hou Cheng Trading Co., Ltd.	Renewable energy self-use power generation equipment industry	100.00	100.00
RITEK and subsidiary	Ritfast Corporation	Renewable energy self-use power generation equipment industry	99.17 (Note 5)	98.85
Jade	Glory Days Services Ltd.	Holding company	100.00	100.00
Glory Days	U-Tech Media Korea Co., Ltd.	CD manufacturing and selling	100.00	100.00
PlexBio	Arlewood International Corporation	Holding company	100.00	100.00
Arlewood	Kunshan Protek Co. Ltd.	Plastic precision injection	100.00	100.00
Arlewood	Prorit Corporation Vietnam Ltd.	Electronics industry	100.00	100.00
AimCore	ARMOR INVESTMENT GROUP CORP.	Holding company	100.00	100.00
AimCore	Finesil Technology Co., Ltd.	Manufacturing and sales of chemical materials	71.13	71.13
AimCore	AimEC Corporation	Conductive glass	80.00 (Note 6)	100.00
AimCore	JHEN JHUAN CO., LTD.	optical materials	31.58 (Note 7)	-
ARMOR	AimCore Technology(Yangzhou) Co., Ltd.	Conductive glass	100.00	100.00
JHEN JHUAN	Yi Zih Corporation	Electronic materials	100.00 (Note 7)	-
ART	Advanced Media Inc.	CD selling	100.00	100.00

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Investment company name	Subsidiary name	Primary business	Percentage of equity held	
			2020.12.31	2019.12.31
Max Online and Score High	Kunshan Hutek Co., Ltd.	CD manufacturing and selling	100.00	100.00
Max Online and PVNEXT Corporation	Ritpower (yangzhou) Co., Ltd	Solar module manufacturing	80.27	80.27
Hutek	Kunshan Ritek Trading Company, Ltd.	CD selling	100.00	100.00
RGI	Conrexx Technology B.V.	CD selling	100.00	100.00
RGI	RME Manufacturing GmbH.	CD manufacturing and saleing	100.00	100.00
Score High	Ritek Vietnam Co., Ltd.	CD manufacturing and saleing	100.00	100.00
Ritdisplay Corporation	Hsin Bao Assets Co.	Leasing business	78.74	100.00
			(Note 8)	
Ritdisplay Corporation	CASHIDO Technology Co., Ltd.	Manufacturing and sales of micro bubble systems	78.66	78.66
RITEK	Ritwin Corporation	Electronic Parts and Components Manufacturing	70.00	70.00

Note 1: RITEK, PlexBio and AimCore sold a total of 3,092,000 Ritdisplay shares held by them in 2020, which together reduced the Group's shareholding in Ritdisplay by 4.62%. In addition, Ritdisplay increased the issuance of 2,000 shares due to the conversion of convertible corporate bond holders on October 27, 2020, and bought back 1,000,000 treasury shares on December 24, 2020. As a result, the number of outstanding shares decreased and the shareholding ratio of the Group increased by 0.87%.

Note 2: RITEK sold a total of 4,000,000 shares of Ricare held by RITEK in 2020, reducing the Group's holding ratio of Ricare by 30.77%. In addition, Ricare increased its capital and issued new shares on January 13, 2020. The Group did not subscribe, which further reduced its shareholding in Ricare by 19.23%.

Note 3: As of April 2020, since the Group does not hold more than half of Ricare's directorships, it has lost substantial control over it. For relevant information, please refer to Note VI.9.

Note 4: Sky Chance sold all the shares of Team Diy Hardware Sdn. BHD. in 2020 and therefore lost substantial control over it.

Note 5: HouJu Energy Development Co., Ltd. purchased 11,000 and 12,000 shares of

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Ritfast Corporation on March 30 and November 25, 2020, increasing its shareholding ratio to 98.94%. In addition, Ritfast Corporation issued a capital increase of 7,000,000 new shares by the board of directors acting on behalf of the shareholders meeting on July 17, 2020. HouJu Energy Development Co., Ltd. partially subscribed, and the shareholding ratio rose to 99.17% after the subscription.

Note 6: AimCore sold 800,000 shares of AimEC in March 2020, and its shareholding dropped to 80%.

Note 7: AimCore participated in the cash capital increase of JHEN JHUAN CO., LTD. (hereinafter referred to as JHEN JHUAN) and the acquisition of JHEN JHUAN equity in April 2020, and acquired 3,000,000 shares in total, with a shareholding ratio of 31.58%. JHEN JHUAN held an extraordinary shareholders meeting and re-elected directors and supervisors in the same month. The company obtained more than half of the board seats and has since gained control over JHEN JHUAN.

Note 8: Ritdisplay Corporation did not participate in the cash capital increase of Hsin Pao Asset Company in December 2020, and its shareholding ratio dropped to 78.74%.

The Group determines that it has control over U-Tech, AimCore and JHEN JHUAN CO., LTD. even though it holds less than 50% voting right. Since the date of investment to U-Tech, AimCore and JHEN JHUAN CO., LTD., the Group has been the single largest shareholder in U-Tech, AimCore and JHEN JHUAN CO., LTD., and the remaining equity in U-Tech and AimCore is widely held by many other shareholders. In the absence of contractual rights, the Group may obtain the power of attorney of majority right to vote, and may appoint the key managers of U-Tech, AimCore and capable of leading relevant activities.

4. Foreign currency transaction

Consolidated financial statements of the Group are expressed in the Company's functional currency NT\$. Each system within the Group determines its own functional currency and measures its financial statements in that functional currency.

Individual transactions in foreign currencies in the Group are converted into the functional currency at the exchange rate of the trading day. In every end day of the reporting period, the foreign currency monetary items are converted by the closing exchange rate of that day; if measuring the foreign currency non-monetary items at the fair value, it shall be converted at the exchange rate of that day measured by the fair value; if measuring the foreign currency non-monetary items at the historical cost, it shall be converted at the exchange rate of original trading day.

RITEK CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
(Unless otherwise stated, the amount unit shall be in NTD 1,000)

Except as described below, the exchange difference arising from the delivery or conversion of monetary items shall be recognized as the profit or loss in the current period:

- (1) For the borrowing in foreign currencies incurred to acquire the required assets, if the exchange difference incurred for the borrowing is deemed as the adjustment of interest cost, it shall be part of the Borrowing Cost and capitalized as the asset cost.
- (2) The foreign currency item applicable to IFRS 9 "Financial Instruments" shall be treated according to the accounting policy of Financial Instruments.
- (3) For the monetary item as part of the net investment in foreign operating institutes by the reporting entity, the exchange difference generated is initially recognized as other comprehensive profit or loss, and when disposing the net investment, it shall be reclassified from the equity to the profit or loss.

When the profit or loss of non-monetary item is recognized as other comprehensive profit or loss, any exchange component of such profit or loss shall be recognized as other comprehensive profit or loss. When the profit or loss of non-monetary item is recognized as the profit or loss, any exchange component of such profit or loss shall be recognized as the profit or loss.

5. Conversion of financial statements in foreign currency

When preparing the consolidated financial statements, the assets and liabilities of every foreign operating institute shall be converted into NT\$ at the closing exchange rate of the balance sheet day, and the income and fee loss item shall be converted at the current average exchange rate. The exchange difference due to the conversion shall be recognized as other comprehensive profit or loss, and when disposing the foreign operating institute, those previously recognized as other comprehensive profit or loss shall be accumulated in the equity to form the separate part of the accumulated exchange difference; in the case of the recognition and disposal of the profit or loss, it shall be reclassified from the equity to the profit or loss. When involving in the partial disposal including the loss of control of the

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subsidiary of the foreign operating institute, and after the partial disposal including the affiliated enterprises or joint arrangements' equity of the foreign operating institute, if the reserved equity are the financial assets of the foreign operating institute, the disposal shall also apply.

If the partial disposal is handled without loss of control including the subsidiaries of foreign operating institute, the accumulated exchange difference recognized in other comprehensive profit or loss shall be recognized to the non-controlling equity of the foreign operating institute in proportion, and shall not be recognized as the profit or loss; under the circumstances that no significant influence is lost or under the joint control, when the partial disposition includes the affiliated enterprises or joint arrangements of the foreign operating institute, the accumulated exchange difference shall be reclassified to the profit or loss in proportion.

When the Group acquires the goodwill from purchasing the foreign operating institute and make adjustment to the fair value of the book amount of its assets and liabilities, it shall be deemed as the assets and liabilities of the foreign operating institute, and shall be reported in its functional currency.

6. Classification criteria for assets and liabilities distinguishing the current and non-current

In any condition below, it shall be classified as the current asset; if not the current asset, it shall be classified as the non-current asset:

- (1) The asset is expected to be realized in its normal business cycle, or it is intended to be sold or consumed.
- (2) To hold the asset primarily for trading purposes.
- (3) The asset is expected to be realized within 12 months after the reporting period.
- (4) Cash or equivalent cash, except where there are restrictions on the exchange of such assets or the use of them for the settlement of liabilities at least 12 months after the reporting period.

In any condition below, it shall be classified as the current liability; if not the current liability, it shall be classified as the non-current liability:

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- (1) It is expected to pay off the liability in its normal business cycle.
- (2) To hold the liability primarily for trading purposes.
- (3) It is expected to repay the liability within 12 months after the reporting period.
- (4) The repayment period of the liability cannot be extended unconditionally to at least 12 months after the reporting period. The liability clause, which may lead to the issuance of equity instrument at the option of the counterparty, does not affect the classification.

7. Cash and cash equivalent

The cash and cash equivalent are the stock cash, current deposit, and fixed deposit or investment that can be converted into fixed cash at any time, with little risk of value change, in short term, and with highly liquidity (including the fixed deposit within 12 months during the contract period).

8. Financial instruments

The financial assets and financial liabilities shall be recognized when the Group becomes one party of the financial instrument contract.

The financial assets and financial liabilities conforming to the applicable scope of IFRS 9 “Financial Instruments”, shall be measured at the fair value in the original recognition; if directly belonging to the financial assets and financial liabilities (except for classified as the financial assets and financial liabilities measured at fair value through profit or loss) acquired or issued transaction cost, it shall be added or deducted from the fair value of financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and derecognition of all conventionally traded financial assets of the Group shall adopt the accounting treatment on the trading day.

Based on the following two items, the Group classifies the financial assets into the financial assets measured at the subsequent amortized cost, and the financial assets measured at the fair value through other comprehensive profit or loss or at the fair value through profit or loss:

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- A. Business model managing the financial assets
- B. Cash flow characteristics of financial asset contracts

Financial assets measured at amortized cost

Financial assets conforming to the following two conditions are measured at the amortized cost and are listed on the balance sheet in the items such as the bill receivable, account receivable, financial assets measured at amortized cost and other receivables:

- A. Business model managing the financial assets: holding the financial assets to collect the contract cash flow
- B. Cash flow characteristics of financial asset contracts: the cash flow is entirely for the payment of principal and interest on the outstanding principal amount

Such financial assets (not including those involving the hedging relationship) are measured at subsequent amortized cost [measuring the amount in the original recognition, deducting the repaid principal, adding or reducing the cumulative amortization of difference between the original amount and the amount due (using the effective interest method), and adjusting the allowance for damage]. In addition to the column, through the amortization process or when recognizing the impairment profit or loss, the profit or loss shall be recognized in the profit or loss.

Interest shall be calculated by the effective interest method (multiplying the effective interest rate by the total book amount of financial assets) or in the following cases, and then it shall be recognized as the profit or loss:

- A. For financial assets of acquired or created credit impairment, multiplying the effective interest rate of credit after adjustment by the amortized cost of financial assets
- B. If not the former, but becoming the credit impairment later, multiplying the effective interest rate by the amortized cost of financial assets

Financial assets measured at fair value through other comprehensive profit or

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loss

Financial assets conforming to the following two conditions are measured at the fair value through other comprehensive profit or loss, and are listed on the balance sheet in the financial assets measured at fair value through other comprehensive profit or loss:

- A. Business model managing the financial assets: collecting the contract cash flow and selling the financial assets
- B. Cash flow characteristics of financial asset contracts: the cash flow is entirely for the payment of principal and interest on the outstanding principal amount

Such financial assets related profit or loss recognition are described as below:

- A. Before listing or reclassification, except for the impairment profit or loss and foreign currency exchange profit or loss recognized in the profit or loss, the rest profit or loss shall be recognized as other comprehensive profit or loss
- B. In the case of exception, the accumulated profit or loss previously recognized in other comprehensive profit or loss shall be reclassified and adjusted from the equity to the profit or loss
- C. Interests calculated by the effective interest method (multiplying the effective interest rate by the total book amount of financial assets) or in the following cases, shall be recognized as the profit or loss:
 - (a) For financial assets of acquired or created credit impairment, multiplying the effective interest rate of credit after adjustment by the amortized cost of financial assets
 - (b) If not the former, but becoming the credit impairment, multiplying the effective interest rate by the amortized cost of financial assets

Furthermore, for the equity instrument within the scope of IFRS 9 and being neither held for transaction nor used with the recognition or consideration by the purchaser in IFRS 3 Business Combinations, at the time of the original recognition, it selects (irrevocably) to list the changes of its subsequent fair

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value in other comprehensive profit or loss. The amount listed in other comprehensive profit or loss shall not be transferred to the profit or loss (when the equity instruments are disposed, the accumulated amount of other equity items will be included and directly transferred to the retained surplus); in addition, the financial assets measured at fair value through other comprehensive profit or loss are listed in the balance sheet. Investment dividends are recognized in the profit or loss, unless the dividends clearly represent the recovery of partial investment costs.

Financial assets measured at fair value through profit or loss

Except for above conforming to specific conditions and measured at amortized cost or at fair value through other comprehensive profit or loss, the rest financial assets are measured at fair value through profit or loss, and are list on the balance sheet in the financial assets at fair value through profit or loss.

Such financial assets shall be measured at fair value, and the profit or loss generated by remeasurement shall be recognized as the profit or loss. Such recognition as the profit or loss shall include any dividends or interest received by such financial assets.

(2) Impairment of financial assets

The Group measures the investment in debt instrument at fair value through other comprehensive profit or loss, and the financial assets at amortized cost, to recognize by the expected credit loss and measure the allowance for loss. The debt instrument investment measured at fair value through other comprehensive profit or loss is to recognize the allowance for loss in other comprehensive profit or loss and bot reduce the investment book amount.

The Group measures the expected credit losses in the following ways:

- A. Unbiased and probability-weighted amounts determined by evaluating the possible outcomes
- B. Time value of money
- C. Reasonable and verifiable information relating to past events, current situation and forecast of future economic conditions (available on balance

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sheet date without excessive cost or input)

The method to measure the loss allowance is described as follows:

- A. Measured at 12 months forecast credit losses: including the financial assets of credit risk not significantly increased from the original recognition, or determined as the low credit risk in the balance sheet day. In addition, also including the allowance for loss measured at the expected credit loss of the duration of the previous reporting period, but no longer meet the requirement after the balance sheet day for the significant increase of credit risk after the original recognition.
- B. Measurement of the amount of expected credit loss during the term of existence: including the financial assets, whose credit risk has increased significantly since the original recognition, or the financial assets of acquired or created credit impairment.
- C. For the account receivable or contract assets generated by the exchange within the scope of IFRS 15, the Group adopts the amount of expected credit losses during the duration of the existence period to measure the allowance for losses.
- D. For lease receivable derived from transactions within the scope of IFRS 16 (IAS 17 before January 1, 2019), the Group measures loss allowances based on lifetime expected credit loss

On each balance sheet day, the Group shall compare the default risk changes of financial instruments on the balance sheet day with the original recognition day, to assess whether the credit risk of financial instruments has increased significantly after the original recognition. In addition, the information related to credit risk shall refer to Note XII.

(3) Derecognition of financial assets

The financial assets held by the Group shall be derecognized if:

- A. The equity from the cash flow contract of financial assets terminates.
- B. Financial assets have been transferred and almost all the risks and rewards of the asset ownership have been transferred to others.
- C. The assets have neither transferred nor retained almost all the risks and

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rewards of the ownership, but the control of the assets has transferred.

When financial assets are derecognized as a whole, the difference between the book amount and the total accumulated profit or loss that has been collected or may be collected and recognized in other comprehensive profit or loss shall be recognized as the profit or loss.

(4) Financial liability and equity instrument

Classification of liability or equity

The liabilities and equity instruments issued by the Group are classified as the financial liability or equity according to the substance of the contract and the definition of financial liabilities and equity instruments.

Equity instrument

The equity instrument means any contract in recognition of the Group's remaining equity after all liabilities have been deducted from the assets of the Group.

Compound tool

The Group recognizes the financial liabilities and equity constituent element according to the contractual terms of the convertible corporate bonds issued. Moreover, for the converted corporate bonds issued, it is evaluated whether the economic characteristics and risks of the embedded buying and selling rights are closely related to the main debt product before distinguishing the equity elements.

The market interest rate assessment of the liability that does not involve derivative instruments, its fair value is equivalent in nature and does not have conversion characteristics. Before conversion or redemption and settlement, this part of the amount is classified as financial liabilities measured at amortized cost; regarding other embedded derivatives that are not closely related to the

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risks of the economic characteristics of the main contract (i.e. the execution price of the embedded buy-back and redemption rights cannot be almost equal to the amortized cost of the debt goods on each execution day), except for the equity components, they are classified as liability components and measured at fair value through profit or loss in subsequent periods. The amount of the equity element is determined based on the fair value of the converted corporate bond minus the liability part, and its carrying amount will not be re-measured in subsequent accounting periods. If the converted corporate bonds issued do not have equity elements, they should be processed in accordance with the IFRS 9 Hybrid Instrument.

Transaction cost is allocated to the liability and equity components in accordance with the proportion of the originally recognized convertible corporate bonds allocated to the liabilities and equity components.

When the holder of the converted corporate bond requests to exercise the right of conversion before the expiry of the converted corporate bond, the book value of the liability component elements is firstly adjusted to the book value that should be at the time of the conversion as the accounting basis for the issuance of ordinary shares.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as the financial liabilities measured at fair value through profit or loss or the financial liabilities measured at amortized cost at the time of original recognition.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit and loss, include the financial liabilities held for trading and specified financial liabilities measured at fair value through profit and loss.

When one of the following conditions is met, it is classified as held for trading:

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- A. The main purpose for acquisition is to sell in the short term;
- B. At the time of the original recognition, it belongs to part of the identifiable portfolio of financial instruments under the consolidation management, and there is evidence that the portfolio is the short-term profit-taking pattern; or
- C. It is the derivative instrument (other than the financial guarantee contract or derivative instrument designated and with effective hedge instrument).

For containing one or more embedded derivative contracts, the integral mixed (combined) contract can be specified as the financial liabilities measured at fair value by profit or loss; when more relevant information can be provided by conforming to one of the following factors, it is specified as measured at fair value through profit or loss in the original recognition:

- A. The designation may be eliminated or substantially reduced in measurement or recognized inconsistently; or
- B. A set of financial assets, financial liabilities or both, are managed and evaluated on the fair value basis, in accordance with the written risk management or investment strategy, and the information on the investment portfolio is provided to the management of the incorporated company, also on the fair value basis.

The profit or loss arising from the remeasurement of such financial liability shall be recognized as the profit or loss, which includes any interest paid on the financial liability.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include the payables and loans, which are recognized initially and then measured by the effective interest rate method. When the financial liabilities are derecognized and amortized through the effective interest rate method, the relevant profit and loss and amortization are recognized as the profit or loss.

The calculation of amortized costs takes into account the discount or premium obtained and transaction cost.

Derecognition of financial liabilities

When the obligation of financial liabilities is relieved, cancelled or invalid, it shall derecognize the financial liabilities.

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When the Group and creditors exchange the debt instrument in the significant difference terms, or change all or part of the existing financial liabilities terms and conditions (whether due to financial difficulties or not), to derecognize the original liability and recognize new liability, the difference between the book amount and the paid or payable total price (including the transfer of non-cash assets or assumption of liabilities) shall be recognized in the profit or loss.

(5) Offset of financial asset and liability

Financial assets and financial liabilities shall be set off against each other and shown on the balance sheet in a net amount only if the recognized amount is currently in the exercise of the legal right of set-off and the intention to deliver the assets on the net amount basis or realize the assets and liquidate the liabilities at the same time.

9. Derivative instruments

The derivative instruments held or issued by the Group are for the purpose of avoiding the exchange rate risks and interest rate risks, and those designated and effectively hedged are reported on the balance sheet as the hedged derivative assets or liabilities; the others not specified and effectively hedged are listed in the financial assets or financial liabilities measured at fair value through profit or loss.

The original recognition of derivative instrument is measured at the fair value on the date of signing the derivative contract, and measured at the fair value later. When the derivative instrument's fair value is positive, it is the financial asset; when the derivative instrument's fair value is negative, it is the financial liability. Fair value change of derivative instrument shall be directly recognized as the profit or loss, unless it involves the cash flow hedging or net investment hedging of foreign operating institutes, which is the effective part, it is recognized under the equity.

When the host contract is for non-financial asset or liability and the derivative instruments embedded in the host contract is not closely connected with host contract in term of its economic features and risks and the host contract is not measured at fair value through profit and loss, such embedded instrument shall be deemed as independent derivative instrument.

10. Fair value measurement

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Fair value refers to the price that the market participants can charge for the sale of an asset in an orderly transaction or pay for the transfer of a liability on the measurement day. Fair value measurement assumes that the sale of an asset or the transfer of a liability occurs in one of the following markets:

- (1) the principal market for the asset or liability, or
- (2) where there is no principal market, in which the asset or liability market is most favourable

The principal or most advantageous market must be available for the Group to enter and trade.

The fair value measurement of assets or liabilities uses the assumption when the market participants price the assets or liabilities, which is made based on the economic best interests.

Non-financial assets fair value measurement considers the ability of market participant to generate the economic benefit by using the asset for its maximum and best use or by selling the asset to another market participant for its maximum and best use.

The Group uses the evaluation technique appropriate to relevant situation and with sufficient data available to measure the fair value, and maximizes the use of observable input values and minimizes the use of unobservable input values.

11. Inventory

Inventory is evaluated by the method of lower cost versus net realized value, item by item.

Cost refers to the cost incurred to make the inventory available for sale or production and in place:

Raw materials — Adopting the weighted average method based on actual purchase cost

Finished goods — Including the direct raw materials, labour costs and fixed and goods in factory overhead at normal capacity, but excluding the process Borrowing Cost.

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Net realized value is the balance of the estimated selling price deducting the required cost of completion and sales expenses under normal circumstances.

12. Investment by equity method

The Group's investment in affiliated enterprises shall be treated by the equity method, except for assets for sale. Affiliated enterprises refer to those who are greatly influenced by the Company. Joint ventures refer to the Group has the right to the net assets of the joint arrangements (with joint control).

Under the equity method, the investment in affiliated enterprises or joint ventures listed in the balance sheet, is made in the cost basis plus the amount recognized depending on the shareholding ratio of the Group to the net equity change of affiliated enterprise or joint venture. The book amount of investment to affiliate enterprises or joint ventures and other related long-term equity shall recognize the extra loss and liability after adopting the equity method to reduce to zero, within the scope of legal obligation and constructive obligation or payment for associated enterprises. Where the Group generates the unrealized profit or loss in the transactions with affiliate enterprises or joint ventures, it shall be written off in proportion to its equity in the affiliate enterprises or joint ventures.

When the change in the equity of affiliated enterprise or joint venture is not caused by the profit or loss or other comprehensive profit or loss items and does not affect the Group's shareholding ratio, the Group shall recognize the change in relevant ownership according to the shareholding ratio. Therefore, when handling the capital reserve recognized of the affiliated enterprise or joint venture in the future, it shall be transferred to the profit or loss according to the disposal ratio.

Where the Group does not subscribe for additional shares in the affiliated enterprise or joint venture in accordance with its shareholding ratio, resulting in the change in the investment ratio, and thus the increase or decrease in the Group's net assets held by the affiliated enterprise or joint venture, the increase or decrease shall be adjusted by the "capital reserve" and "investment by equity method". When the investment ratio changes decreasingly, related items previously recognized in other comprehensive profit or loss shall be reclassified to the profit or loss or other

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appropriate items according to the decrease ratio. When the aforesaid capital reserves are placed in the subsequent disposal of affiliated enterprises or joint ventures, it shall be transferred to the profit or loss according to the disposal ratio.

The financial statements of the affiliated enterprise or joint venture are prepared during the same reporting period as the Group, and are adjusted to align their accounting policies with those of the Group.

The Group shall, at the end of each reporting period, confirm whether there is objective evidence of impairment from the investment to affiliated enterprises or joint ventures pursuant to IAS 28 "Investments in Associates and Joint Ventures" (before January 1, 2018, IAS 39). If there is objective evidence of impairment, the Group shall calculate the amount of impairment based on the difference between the recoverable amount and the book amount of the affiliated enterprise or joint venture in accordance with IAS 36 "Asset Impairment", and recognize the amount in the profit or loss of the affiliated enterprise or joint venture. If the investment use value is adopted for the aforementioned recoverable amount, the Group shall determine relevant use value based on the following estimation:

- (1) the present value share of estimated future cash flow generated by the Group's affiliated enterprises or joint ventures, including the cash flow generated by the operation of the affiliated enterprises or joint ventures and the final disposal income of the investment; or
- (2) the expected received dividends from the investment and the present value of the estimated future cash flows generated from the final disposal of the investment.

The goodwill item of book amount, which constitutes the investment in affiliated enterprise or joint venture, is not separately recognized, so it is not necessary to apply IAS 36 "Asset Impairment" for goodwill impairment test.

In case of loss of significant impact on affiliated enterprises or joint control to joint ventures, the Group shall measure and recognize the retained investment part at fair value. In the event of the loss of significant influence or joint control, the difference between the book amount of the affiliated enterprise or joint venture and the disposal price added to the fair value of the retained investment shall be deemed as the profit and loss. In addition, when the investment of affiliated enterprise becomes the investment of joint venture, or the investment of joint venture becomes the

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investment of affiliated enterprise, the Group shall continue to apply the equity method without remeasuring the retained equity.

13. Property, plant and equipment

Property, plant and equipment are recognized based on the acquisition cost, and listed after deducting the accumulative depreciation and accumulative impairment; these costs include the property, plant and equipment disassembly, removal, and recovery cost in the location and the interest necessary to indemnify for the construction in process. If the constitution of property, plant and equipment is significant, it shall separately list the depreciation. When the main items of property, plant and equipment shall be reset on the regular basis, the Group shall deem the item as individual asset and recognize in accordance with the specific durable years and depreciation method respectively. The book amount of the reset part shall be derecognized according to IAS 16 "Property, plant and equipment". If the major maintenance costs meet the recognition conditions, it shall be deemed as the replacement costs and shall be recognized as part of the plant and equipment book amount, and other repair and maintenance expenses shall be recognized as the profit or loss.

Depreciation is calculated on the straight-line basis according to the estimated durable years of the following assets:

Buildings and structures	3~55 years (main structure of the building of 46 years, decoration of 10~15 years)
Machinery equipment	1~21 years
Miscellaneous equipment	1~21 years
Right-of-use asset	2~50 years

After the property, plant and equipment item or any important component is originally recognized, if it is disposed of or there is no economic benefit inflow due to the use or disposal in the future, it shall be derecognized and the profit or loss shall be recognized.

The residual value, durable years and depreciation method of the property, plant and

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equipment are evaluated at the end of each financial year. If the expected value is different from the previous estimate, the change is regarded as the change of accounting estimate.

14. Investment property

Accounting treatments after January 1, 2019 are as below:

The Group owned investment property is measured at original cost, including transaction costs of acquiring such property. The carrying amount of investment property includes the costs contributed for repair or addition to current investment property, except for general maintenance expenses. After initial recognition, except for properties as satisfactory to the conditions of assets held for sale (or included in the disposition group held for sale) classified in IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the investment properties are measured at costs. According to the handling of such model in IAS 16 “Property, Plant and Equipment”, if it is held by the lessee as right-of-use property and not held for sale as stipulated in IFRS 5, the IFRS 16 shall be adopted.

Depreciation is calculated on the straight-line basis according to the estimated durable years of the following assets:

Buildings 10~46 years (main structure of the building of 46 years, decoration of 14~20 years)

In case of disposal or permanent disuse of investment property and not expected to generate the future economic benefits from disposal, it shall be derecognized and the profit or loss shall be recognized.

The Group shall transfer in or transfer out the investment property according to the actual use of the assets.

When the property conforms to or no longer conforms to the definition of investment property and there is evidence to show the change of use, the Group will transfer into the property as the investment property or transfer out from investment

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property.

Accounting treatments after January 1, 2019 are as below:

The Group owned investment property is measured at original cost, including transaction costs of acquiring such property. The carrying amount of investment property includes the costs contributed for repair or addition to current investment property, except for general maintenance expenses. After initial recognition, the investment properties were measured at costs and followed regulations of IAS 16 “Property, Plant and Equipment”, except for properties as satisfactory to the conditions of assets held for sale (or included in the disposition group held for sale) classified in IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Depreciation is calculated on the straight-line basis according to the estimated durable years of the following assets:

Buildings	14~46 years (main structure of the building of 46 years, decoration of 14~20 years)
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The investment property is derecognized upon disposal or no longer available for use and no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss is recognized in profit or loss.

The Group determines to transfer in or transfer out investment property depending on physical purpose of assets.

When the property satisfies or is no longer satisfactory to the definition of investment property and is evidenced for change of purpose, the Group reclassified it as investment property or transfer it from investment property.

15. Lease

The Group determines whether the contract is a lease (or including lease). In the event that a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is (or includes) a lease. In order to assess whether the contract transfers control over the use of the identified asset for a period of time, the Group assesses whether it has both of the following conditions during the entire period of use:

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- (1) Acquire almost all rights of economic benefits from identified assets; and
- (2) Control the rights of use for identified assets

For a contract is (or contains) a lease, the Group accounts for each lease components as a single lease and separates them from non-lease components. For a contract that contains a lease component and non-lease component, the Group allocates the consideration of contract to lease components on the basis of single price corresponding to each lease component and sum of single price for non-lease components. The single price corresponding to lease and non-lease components depends on the price collected by the lessor (or similar supplier) to such component (or similar component) respectively. The observable single price is unavailable at all times; the maximized observable information is used to estimate such single price.

The Group as a lessee

Except for short-term or low value asset lease, the Group recognizes right-of-use assets and lease liabilities for all leases.

The Group measures lease liabilities based on the present value of lease payables at the commencement date. If the implied interest rate of lease is easily defined, the lease payment is discounted by such interest rate. If such interest rate is uneasily defined, the lessee's incremental borrowing rate is adopted. The lease payment accrued in lease liabilities, including following payments in related with right-of-use of subject property within the lease period unpaid by the commencement date:

- (1) Fixed payment (including physical fixed payment) deducted by any lease incentive collectible;
- (2) The variable lease payment depending on certain index or rate (original measurement by using index or rate at the commencement date);
- (3) The amount to be paid by the lessee with residual guarantee
- (4) The exercise price for purchasing option, if the Group may reasonably assure to exercise such option; and
- (5) The fine must be paid for termination of lease, if the lessee will exercise the option for termination of lease during the lease period

Subsequently, lease liabilities are measured at amortized cost. The increased carrying amount of lease liabilities using the effective interest method is to reflect the interest of lease liability; and the lease payment will reduce the carrying amount

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of lease liabilities.

Right-of-use assets are measured at cost at the commencement date of the lease.

The cost of right-of-use assets comprises

- (1) The initial measurement of lease liabilities
- (2) The lease payments made at or before the commencement date deducted by any lease incentive collected
- (3) Any initial direct costs of the lessee; and
- (4) The estimate of costs needed to demolish, remove subject assets and restoration of the site, or restore the underlying assets.

Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss, i.e. cost model is applicable to measure the right-of-use properties.

If the ownership of subject property will be transferred to the Group upon the expiration of lease period, the right-of-property property will be depreciated from the commencement date until the useful lives of subject property is expired when the costs of right-of-use property reflects that the Group will exercise the call option. Otherwise, the Group will depreciate the right-of-use property from the commencement date until the useful lives or lease period of subject property is expired, which one is earlier.

The Group applies IAS 36 “Assets Impairment” to determine whether the right-of-use property has been impaired and manage any identified impairment loss

Except for qualified and selected short-term leases or low value target asset, the Group recognizes right-of-use assets and lease liabilities in balance sheet and recognizes lease relevant depreciation and interest expenses respectively in comprehensive income statement.

For short-term leases or lease of low value target asset, the lease payments of such leases are recognized as expenses over the term of lease.

For the relevant rent concessions that are consistent with the direct result of the COVID-19 pandemic, it chooses not to evaluate whether it is a lease modification, and the rent concessions are treated as a lease payment change, and this practical expedient has been applied to all eligible rent concessions.

The Group as a lessor

The Group divides each lease as operating or financing lease at the commencement date of contract. Leases are classified as financing lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the commencement date, the

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Group recognizes all assets held under financing lease and the net of lease investment is presented as financing lease receivable in balance sheet. For contract comprises lease and non-lease components, the Group allocates the consideration of contract pursuant to IFRS 15.

The Group recognizes lease payment from operating lease as rental income on straight-line or another systematic basis. For variable lease payments that do not depend on an index or a rate are recognized as rental income in the periods in which they are incurred

16. Intangible asset

Intangible assets obtained separately shall be measured at the cost in the original recognition. The cost of intangible assets acquired through Business Combinations is the fair value on purchasing day. After the original recognition, the book amount of intangible assets is the amount of its costs deducting the accumulative amortization and accumulated impairment. The intangible assets not conforming to the recognition conditions and generated internally shall not be capitalized, and shall be recognized to the profit or loss when incurred.

The durable years of intangible assets can be divided into the limited and indefinite durable years.

The intangible assets with limited durable years are amortized within its durable years, and receive the impairment test when there is the sign of impairment. The amortization period and method for intangible assets with limited durable years shall at least be reviewed at the end of each financial year. If its estimated durable years are different from previous estimates, or the expected consumption pattern of economic benefits in the future has changed, the amortization method or amortization period will be adjusted and deemed as the changes in accounting estimates.

The intangible assets with indefinite durable years shall not be amortized, but shall receive the impairment test in every year in accordance with the individual asset or cash generating unit level. The intangible assets with indefinite durable years shall be evaluated in every period that whether there is any event and circumstance to continue to support the durable years of the asset in the indefinite status. If the durable years is changed from indefinite to limited, the application shall be delayed.

The profit or loss caused by the derecognition of intangible asset shall be

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recognized to the profit or loss.

Trademark right

Trademark right is the right legally acquired and purchased.

Patent right

Patent right is the right legally acquired and purchased.

Concession

Concession right is the right obtained and purchased in accordance with the law.

Others

Others refer to the channel right. The channel right shall be amortized in reasonable and systematic way according to the service life of the sales channel obtained by The Group in Europe, America and Asia.

The accounting policies of intangible assets of the Group are summarized as below:

	<u>Patent right</u>	<u>Franchise</u>	<u>Channel right</u>	<u>Concession</u>
Durable years	5~20 years	7~10 years	14.5 years	6 years
Applied amortization method	Amortizing during the patent right period in the straight-line method	Amortizing during the trademark right period in the straight-line method	Amortizing during the channel right period in the straight-line method	Amortized using the straight-line method during the concession period
Internal generated or externally acquired	Externally acquired	Externally acquired	Externally acquired	Externally acquired

17. Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there are signs of impairment in all assets applicable to IAS 36 "Asset impairment". Where there is

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evidence of impairment or the impairment test of any asset is required on the annual basis, the Group will conduct the test on the individual asset or on the cash generating unit to which the asset belongs. Impairment losses are recognized if the book amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount. The recoverable amount is the higher one of the net fair value or the use value.

At the end of each reporting period, the Group evaluates the assets other than the goodwill for any sign that previously recognized impairment losses may have disappeared or decreased. If such sign exists, the Group shall estimate the recoverable amount of the asset or cash generating unit. If the recoverable amount is increased by the change of the estimated service potential of the asset, the impairment will be recovered. However, the book amount after the recovery shall not exceed the book amount deducting the depreciation or amortization of the asset in the condition of not recognizing the impairment loss.

The cash generating unit or group to which the goodwill belongs, with or without evidence of impairment, is subject to the annual impairment test. In the event that the impairment loss is to be recognized as the result of the impairment test, the goodwill shall be deducted firstly, and the balance shall be then apportioned in proportion to the book amount to other assets. The impairment of goodwill, once recognized, shall not be reversed for any reason thereafter.

The impairment loss and the number of recovery of continuously operated unit are recognized as the profit and loss.

18. Revenue recognition

Revenues of the Group and from Contracts with Customers are mainly the sales of goods and labor service providing, and the accounting treatments are described below:

Sales of goods

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The Group manufactures and sells goods, and recognizes the revenue when transporting the goods to the customer and the customer has its control (namely, the customer leads the use of the goods and acquires almost all of the remaining benefit capacity of the goods); the main products are the optical information service products as CD, organic light emitting diode (OLED) display, conductive glass and green product (solar module/LED/battery related products), and the revenue is recognized based on the contract stated price.

The trading credit period of the Group's sales of goods is 30 days to 150 days; in most of the contracts, when the goods transfers the control and with the unconditional right in the consideration charge, it shall recognize the account receivable, which usually has no significant financial component during the short term. If a small part of the contract has the right to transfer the commodities to the customer but still does not have the right to receive the consideration unconditionally, the contract assets shall be recognized. The contract assets shall also be subject to IFRS 9 on the amount of expected credit losses during the duration of the contract.

The transfer of the Group's previous contract liabilities to the revenue is generally less than one year, and does not result in any significant financial component.

19. Borrowing cost

The borrowing costs directly attributable to the acquisition, construction, or production of conforming asset shall be capitalized as part of the cost of that asset. All other borrowing costs are recognized as the expenses for the period of occurrence. Borrowing costs include the interest and other costs incurred in connection with the borrowing.

20. Retirement benefit plan

The Group and domestic subsidiary's employee retirement procedures are applicable to all the formally employed staff, and the staff pension fund is fully managed by the Labour Retirement Reserve Supervision Committee Board, and deposited in the dedicated pension fund account; the above-mentioned pension is deposited in the name of the Retirement Reserve Supervision Committee, which is completely separated with The Group and domestic subsidiary, therefore, it is not

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listed in the consolidated financial statements. The retirement measures for employees of foreign subsidiaries and branches are handled in accordance with local laws and regulations.

For the retirement benefit plan of defined contribution plan, The Group and domestic subsidiary shall pay in the employee pension contribution rate per month, which shall not be less than 6% of the employee's monthly salary. The amount of contribution shall be recognized as the current expense. Foreign subsidiaries and branches shall allocate according to local specific proportion and recognize as current expenses.

For the retirement benefit plan of defined benefit plan, it shall be listed according to the actuarial report in the end day of the annual report period on the basis of unit welfare law. Net defined benefit liabilities (assets) remeasured amount includes any change in the planned asset rewards and asset upper limit influence number, and deducting the net interest amount contained in the net defined benefit liabilities (assets), as well as the actuarial profit or loss. When the net defined benefit liabilities (assets) remeasurement amount occurs, it shall be listed in other comprehensive profit or loss, and recognized in the reserved surplus. The present value change of defined benefit obligation resulting from the plan modification or reduction of early service cost, shall be recognised as the expense on the earlier date of either:

- (1) when the plan modification or reduction occurs; and
- (2) when the Group recognizes relevant restructuring costs or severance benefits.

Net interest on net defined benefit liabilities (assets) is determined by multiplying the net defined benefit liabilities (assets) by the discount rate, both of which are determined at the beginning of the annual reporting period, with the consideration of any change in the net defined benefit liabilities (assets) during that period as the result of withdrawals and welfare payments.

21. Income tax

Income tax expense (benefit) means the total amount collected in relation to current income tax and deferred income tax included in the determination of current profit

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and loss.

Current income tax

The current income tax liabilities (assets) related to the current period and the earlier period shall be measured by the legislative or substantive legislative tax rates and tax laws at the end of the reporting period. The income tax of the current period recognized in other comprehensive profit or loss or directly recognized in the equity item, shall be recognized in other comprehensive profit or loss or the equity, instead of the profit or loss.

The portion of undistributed surplus plus profit-seeking enterprise income tax shall be listed as the income tax expense on the day of surplus distribution decided by the board of shareholders.

Deferred income tax

The deferred income tax is calculated from the temporary difference between the tax basis for assets and liabilities on the end of the reporting period and its book amount on the balance sheet.

All taxable temporary differences are recognised as the deferred income tax liabilities except for:

- (1) original recognition of goodwill; or not generated from Business Combinations and not affecting either the accounting profits or the taxable income (loss) in the original recognition of asset or liability at the time of the transaction;
- (2) taxable temporary difference generated from the investment in equity of subsidiary, affiliated enterprise and joint arrangements, whose recovery time can be controlled and unlikely to occur in the foreseeable future.

Temporary deductible differences, unused tax losses and unused income tax credits generated deferred income tax assets, are recognised likely within the future tax income, except for the following two conditions:

- (1) transaction with non-business combinations which relates to the deductible

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temporary difference generated from the original recognition of the assets or liabilities at the time of the transaction with no effect to the accounting profits or the taxable income (loss);

- (2) related to the deductible temporary differences arising from the investment to equity of subsidiaries, affiliated enterprises and joint arrangement, and only probable to recover in the foreseeable future and there is enough tax at the time of recovery to recognize the use of the temporary difference.

Deferred income tax assets and liabilities are measured at current tax rate of the expected asset realization or liability liquidation, which is based on the tax rate and tax law enacted or substantially enacted at the end of the reporting period. Deferred income tax asset and liability measurement reflects the tax consequences of the expected recovery of assets or liquidation of the book amount of liabilities on the end of the reporting period. Where the deferred income tax is related to the item that is not included in the profit or loss, it is also not recognized as the profit or loss, and is instead recognized as other comprehensive profit or loss or as the equity in accordance with its relevant transaction. Deferred income tax assets are reviewed and recognized on the end of each reporting period.

Deferred income tax assets and liabilities shall have the statutory enforcement power only in respect of the offset between current income tax assets and current income tax liabilities, and can be offset only when the assets and liabilities of current income tax and the deferred income tax belong to the same tax payer and are related to the income tax levied by the same tax authority.

22. Business merger and goodwill

Acquisition method is adopted for the accounting treatment of business merger. The transfer consideration of business merger, the identifiable assets acquired and the liabilities assumed, are the measured by fair value on the acquisition date. Acquirer for each business merger measures the non-controlling equity at fair value or the relative ratio of acquiree's identifiable net assets. The acquisition related costs shall be the current expenses and include the management fee.

The Group 's acquisition of the business shall be based on the contract conditions, economic conditions and other relevant conditions existing at the date of acquisition, and shall be subject to the appropriate evaluation of the classification

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and designation of assets and liabilities, including the separation of the financial instruments embedded in the main contracts held by the acquiree.

If the business merger is completed in stages, the acquirer's previously held equity of the acquiree shall be re-measured at the fair value on the acquisition date, and the profits or losses generated shall be recognized as current profits and losses.

Contingent consideration expected to transfer by the acquirer will be recognized at the fair value on the acquisition day. For the contingent consideration regarded as assets or liabilities, the subsequent changes in fair value will be recognized as changes in current profit or loss or other comprehensive income in accordance with IFRS 9 (before January 1, 2018, IAS 39). However, when the contingent consideration is classified as equity, it shall not be remeasured before the final settlement under the equity.

The original measurement of goodwill is the total amount of transferred consideration adding non-controlling equity, exceeding the fair value of identifiable assets and liabilities obtained by the Group; if the consideration is less than the fair value of the net assets obtained, the difference shall be recognized as current profit and loss.

Goodwill, after the original recognition, is measured by cost minus the accumulative impairment. Goodwill arising from the business merger shall be amortized to every cash generating unit of the Group expected to benefit from this merger since the acquisition day, no matter other assets or liabilities of the acquiree attribute to such cash generating units or not. Each unit or unit group amortizing the goodwill represents the minimum level of goodwill supervision for internal management purpose, and is not greater than the operating department before summarizing.

Where the disposal includes the cash generating unit of goodwill, the book amount of the disposal includes the goodwill associated with the disposal operation. The disposed goodwill is measured against relative recoverable amount of the disposal operation and the retained portion.

V. Major sources of uncertainty in significant accounting judgments, estimates and assumptions

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When the Group prepares the financial statements, the management shall make the judgments, estimates and assumptions at the end of the reporting period, which shall affect the revenue, expense, reported amount of assets and liabilities and contingent liability disclosure. However, the uncertainty of these significant assumptions and estimates may lead to major adjustment of the book amount of assets or liabilities in the future.

1. Judgment

In the process of adopting the Group's accounting policies, the management shall make the following judgments that have the most significant impact on the amount recognition of consolidated financial statements:

Judgment on control to subsidiary when not having the majority voting power

When The Group does not hold the majority voting rights of some subsidiaries, it shall consider the comprehensive shareholding ratio of the Group to such company, the board seats, request condition of power of attorney, the great influence of relevant activities and other factors, to judge the control. Please refer to Note IV.

2. Estimate and assumption

Major sources of uncertainty regarding the future estimates and assumptions made at the end of the reporting period carry the significant risk of leading to significant adjustments in the book amounts of assets and liabilities in the next financial year. It is explained as follows:

(1) Impairment of non-financial assets

When the book amount of asset or cash generating unit is greater than its recoverable amount, the impairment occurs. Recoverable amount refers to the fair value deducting the disposal cost and use value, whichever is higher. The calculation of the fair value minus the disposal cost is based on the price that the market participants can collect or transfer the liability to pay on the day of measurement by selling the asset in the orderly transaction, after deducting the incremental cost directly attributable to the disposal asset or cash generating

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unit. The use value is calculated based on the cash flow discount model. Cash flow estimate is in accordance with the budget over the next decade, and does not include the restructuring not committed by the Group or any significant future investment required to enhance the performance of the cash generating unit under the test. The recoverable amount is vulnerable to the discount rate used in the cash flow discount model and the expected future cash flow and growth rate used for the extrapolation purpose.

(2) Inventory

The estimate of net realizable value of the inventory is based on the most reliable evidence of the expected realizable amount of inventory available at the time of the estimate, with the consideration of the destruction of inventory, the obsolescence in whole or in part, or the decline in the selling price. Please refer to Note VI for details.

VI. Description of important accounting items

1. Cash and cash equivalent

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$4,776	\$5,792
Current deposit and cheque deposit	2,601,763	2,549,045
Fixed-term deposit	1,210,736	1,460,662
Cash equivalents	369,750	30,016
Total	<u>\$4,187,025</u>	<u>\$4,045,515</u>

2. Financial assets measured at fair value through profit or loss

	<u>2020.12.31</u>	<u>2019.12.31</u>
Force to measure at fair value through profit or loss:		
Stock	\$286,743	\$159,838
Fund	162,134	162,746

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Total	<u>\$448,877</u>	<u>\$322,584</u>
Current	\$368,835	\$212,648
Non-current	80,042	109,936
Total	<u>\$448,877</u>	<u>\$322,584</u>

There is no guarantee provided for the Group's financial assets measured at fair value through profit and loss.

3. Financial assets measured at fair value through other comprehensive profit or loss

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instrument investment measured at fair value through other comprehensive profit or loss:		
Stock of listed company	\$136,966	\$132,820
Stock of unlisted company	244,133	399,765
Total	<u>\$381,099</u>	<u>\$532,585</u>
Current	\$12,513	\$26,237
Non-current	368,586	506,348
Total	<u>\$381,099</u>	<u>\$532,585</u>

The Group classifies part of financial assets to the financial assets measured at fair value through other comprehensive profit or loss, and please refer to Note VIII for the provided guarantee.

For investments in equity instruments at FVTOCI, the information regarding the dividends recognized in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Investment held as of balance sheet	\$65,332	\$16,583
Investment derecognized	-	-
Dividend income recognized	<u>\$65,332</u>	<u>\$16,583</u>

The Group considers selling and derecognizing some investments in equity instruments at FVTOCI in strategic investment consideration, the information

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regarding the derecognition in 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
The fair value on derecognition date	\$15,504	\$8,002
The accumulated gain (loss) on disposal reclassified from other equity to retained earnings	(411)	(2,574)

4. Financial assets measured at amortized cost

	<u>2020.12.31</u>	<u>2019.12.31</u>
Restricted bank deposit	<u>\$279,555</u>	<u>\$282,270</u>
Current	\$106,745	\$118,857
Non-current	172,810	163,413
Total	<u>\$279,555</u>	<u>\$282,270</u>

The guarantee to financial assets measured at amortized cost provided by The Group shall refer to Note VIII, and credit risk related information shall refer to Note XII.

5 Notes receivable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable – arising from operation(total carrying amount)	\$26,581	\$28,905
Less: reserve for loss	-	-
Total	<u>\$26,581</u>	<u>\$28,905</u>

Not collateral is provided for the notes receivable of the Group

The Group adopts IFRS 9 to assess the impairment from January 1, 2018, and the reserve for loss related information shall refer to Note VI. 23, and the credit risk related information shall refer to Note XII.

6 Account receivable and account receivable - interested party

	<u>2020.12.31</u>	<u>2019.12.31</u>
Account receivable (total carrying amount)	\$1,411,537	\$1,371,954

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Less: reserve for loss	(279,922)	(251,341)
Subtotal	<u>1,131,615</u>	<u>1,120,613</u>
Account receivable - interested party(total carrying amount)	7,166	7,258
Less: reserve for loss	-	-
Subtotal	<u>7,166</u>	<u>7,258</u>
Total	<u><u>\$1,138,781</u></u>	<u><u>\$1,127,871</u></u>

The guarantee to account receivable provided by The Group shall refer to Note VIII.

The credit period to the customer is usually 30 to 180 days. The total carrying amounts as of December 31, 2020 and December 31, 2019 were NT\$ 1,418,703,000 and NT\$ 1,379,212,000 respectively. Please refer to note VI.23 for loss allowance related information and note XII for credit risks related information.

7. Finance lease receivables

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total lease investment		
Less than one year	\$8,506	\$8,531
More than one year but less than five year	40,979	41,393
Over five years	<u>44,845</u>	<u>53,059</u>
Total	94,330	102,983
Less: unearned finance income	<u>(47,841)</u>	<u>(54,375)</u>
Present value of minimum lease payment receivables	<u><u>\$46,489</u></u>	<u><u>\$48,608</u></u>

Finance lease receivables

Current	\$2,235	\$1,997
Non-current	<u>44,254</u>	<u>46,611</u>
Present value of minimum lease payment receivables	<u><u>\$46,489</u></u>	<u><u>\$48,608</u></u>

The Group has concluded finance lease agreements for renting some equipment. All leases are calculated in New Taiwan Dollar and the average term of finance lease is 20 years. The finance lease receivables are calculated by the discounted net cash flow from anticipated lease operation.

As of December 31, 2020, the Group has assessed that the financial lease receivables are neither overdue nor impaired. For details about the allowance loss,

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please refer to Note VI.23.

Please refer to note VIII for the collateral provided for finance lease receivables.

8. Inventory

	<u>2020.12.31</u>	<u>2019.12.31</u>
Raw material	\$612,390	\$736,730
Semi-finished goods and goods in process	341,194	750,964
Finished goods	256,419	268,018
Commodity inventory	157,719	322,008
In-transit inventory	72,214	55,798
Total	<u>\$1,439,936</u>	<u>\$2,133,518</u>

The inventory costs recognized by the Group as expenses were NT\$ 5,541,617,000 and NT\$ 7,123,477,000 in 2020 and 2019 respectively, including gain on recovery of inventory price NT\$ 24,904,000 and NT\$ 8,498,000,000 in 2020 and 2019.

The gain on recovery of inventory price abovementioned was from some price declined inventory sold or scrapped

9. Investment by equity method

Details of investment by equity method adopted by the Group are as below:

<u>Invested company name</u>	<u>2020.12.31</u>		<u>2019.12.31</u>	
	Amount	Ratio (%)	Amount	Ratio (%)
Investment to subsidiaries:				
GoldenRiver	\$5,071	23.14	\$6,813	23.14
Luminit	27,241	31.03	32,112	31.03
Ricare	58,207	50.00	-	-
Togowin Technology	50,148	30.21	-	-
Total	<u>\$140,667</u>		<u>\$38,925</u>	

The Group purchased part of the shares of Togowin Technology Co., Ltd. in September 2020 at a purchase price of NT\$50,000,000, and obtained 641,000 shares

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in total, with a shareholding ratio of 30.21%, which is regarded as an affiliated company.

The Group participated in the capital increment by cash of Luminet Automotive Technologies in February and September 2019, with investment amount NT\$ 30,000,000. The Group has acquired total 1,350,000 shares and 31.03% shareholding of Luminet Automotive Technologies and deemed it as an Associate.

The Group sold all the shares of Echem Hightech Co., Ltd. held in June 2019, with price NT\$ 75,746,000 and gain on disposal of investment NT\$ 23,453,000.

(1) Investment in Associates

The Group's investment in affiliated enterprises is not material to the Group. The aggregate book amounts of the affiliated enterprises invested by the Group as of December 31, 2020 and December 31, 2019 are respectively NT\$ 140,667,000 and NT\$ 38,925,000, and the total financial information is listed as follows according to their shares:

	2020	2019
Net profit (loss) in current period	\$(11,307)	\$4,101
Other comprehensive profit (loss) in current period (net of tax)	(1,742)	(602)
Total comprehensive profit (loss) in current period	\$(13,049)	\$3,499

The above-mentioned investment to affiliated enterprises has no contingent liabilities or capital commitments as of December 31, 2020 and December 31, 2019, and no guarantee has been provided.

Loss of control over the subsidiary-Ricare Corporation

Since April 2020, the Group has not held more than half of the directors' seats, so it has lost its substantial control over Ricare Corporation.

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The details of the book value of the assets and liabilities of Ricare Corporation at the time of loss of control are as follows:

Assets:	<u>Carrying amount</u>
Cash and cash equivalents	\$11,708
Financial assets measured at fair value through profit and loss- current	5,067
Accounts receivable	11,081
Other current assets	2,244
Financial assets measured at fair value through other comprehensive gains and losses-non-current	4,432
Investment using the equity method	65,840
Real estate, plant and equipment	12,201
Intangible assets	23,750
Other non-current assets	6,506
Subtotal	<u>142,829</u>
Liabilities:	
Accounts payable	\$2,725
Other payables	8,450
Other current liabilities	2,701
Subtotal	<u>13,876</u>
Carrying amount of original subsidiary's net assets	<u><u>\$128,953</u></u>

The amount of loss in the disposal of Ricare Corporation is as follows:

Fair value of investment using the equity method	\$64,523
Add: the value of non-controlling interests	64,218
Less: the carrying amount of the net assets of the original subsidiary	<u>(128,953)</u>
Loss of subsidiary company disposal	<u><u>\$(212)</u></u>
Obtain the cash flow of investment by the equity method	
Net cash of the original subsidiary	\$11,708
Cash received	-
Net cash outflow	<u><u>\$11,708</u></u>

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Loss of control of subsidiary—Team Diy Hardware Sdn. BHD.

The Group sold all the shares of Team Diy Hardware Sdn. BHD. in October 2020 and therefore lost its substantial control.

The details of the book value of the assets and liabilities of Team Diy Hardware Sdn. BHD. at the time of loss of control are as follows:

Assets	Carrying amount
Cash and cash equivalents	<u>\$13,350</u>
Accounts receivable	1,879
Stock	28,676
Other current assets	1,394
Real estate, plant and equipment	6,375
Intangible assets	25,165
Other non-current assets	<u>1,257</u>
Subtotal	<u>78,096</u>
Liabilities:	
Accounts payable	\$14,916
Other payables	<u>3,839</u>
Subtotal	<u>18,755</u>
Book amount of original subsidiary's net assets	<u><u>\$59,341</u></u>

The amount of interest for disposing of Team Diy Hardware Sdn. BHD. is as follows:

Sale consideration	\$34,472
Add: the value of non-controlling interests	29,077
Less: the carrying amount of the net assets of the original subsidiary	<u>(59,341)</u>

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Interest of disposing subsidiary companies	\$4,208
Cash flow from sale	
Sale consideration	\$34,472
Net cash of the original subsidiary	(13,350)
Net cash inflow from sales	\$21,122

10. Property, plant and equipment

	2020.12.31	2019.12.31
Private use property, plant and equipment	\$9,404,256	\$10,196,735
Property, plant and equipment for operating lease	70,156	67,905
Total	\$9,474,412	\$10,264,640

Note: The Group has adopted IFRS 16 since January 1, 2019 and selects not to restate comparative information pursuant to the transitional regulations of IFRS 16

(1) Private use property, plant and equipment (applicable to IFRS 16))

	Land and land improvement	Buildings and structures	Machinery equipment	Other equipment	Construction in progress and equipment to be tested	Total
Cost:						
January 1, 2020	\$2,195,866	\$8,310,713	\$25,570,450	\$1,466,704	\$342,429	\$37,886,162
Adding	-	2,017	63,367	10,820	242,619	318,823
Acquiring through business merger	73,682	20,343	60,900	26,876	2,685	184,486
Disposal	(926)	(5,335)	(3,856,633)	(59,248)	(45,433)	(3,967,575)
Scrap	-	(1,159,284)	(4,121,492)	(63,805)	-	(5,344,581)
Transfer	-	(202,161)	42,034	(11,084)	(397,329)	(568,540)
Influence of exchange rate change	12	(17,405)	(155,843)	70	(5,487)	(178,653)
December 31, 2020	\$2,268,634	\$6,948,888	\$17,602,783	\$1,370,333	\$139,484	\$28,330,122
January 1, 2019	\$2,111,268	\$8,250,920	\$27,528,680	\$1,960,391	\$755,575	\$40,606,834
Adding	-	170	94,303	24,087	518,756	637,316
Acquiring through business merger	86,944	74,890	33,922	34,569	-	230,325
Disposal	(1,206)	(42,943)	(1,693,463)	(425,348)	(5,802)	(2,168,762)
Scrap	-	-	(37,028)	(12,860)	-	(49,888)

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Transfer	(1,050)	76,618	(37,822)	(74,824)	(889,406)	(926,484)
Influence of exchange rate change	(90)	(48,942)	(318,142)	(39,311)	(36,694)	(443,179)
December 31, 2019	<u>\$2,195,866</u>	<u>\$8,310,713</u>	<u>\$25,570,450</u>	<u>\$1,466,704</u>	<u>\$342,429</u>	<u>\$37,886,162</u>
Depreciation and impairment:						
January 1, 2020	\$-	\$5,378,008	\$21,122,745	\$1,188,674	\$-	\$27,689,427
Depreciation and other loss	-	145,590	658,576	42,812	-	846,978
Acquiring through business merger	-	2,242	44,876	18,927	-	66,045
Impairment loss	-	-	7,512	834	-	8,346
Disposal	-	(5,275)	(3,813,196)	(57,219)	-	(3,875,690)
Scrap	-	(1,159,284)	(4,120,939)	(63,536)	-	(5,343,759)
Transfer	-	(110,161)	(255,301)	(10,954)	-	(376,416)
Influence of exchange rate change	-	(5,711)	(83,451)	96	-	(89,066)
December 31, 2020	<u>\$-</u>	<u>\$4,245,409</u>	<u>\$13,560,822</u>	<u>\$1,119,635</u>	<u>\$-</u>	<u>\$18,925,866</u>
January 1, 2019	\$-	\$5,167,920	\$21,662,230	\$1,480,366	\$12	\$28,310,528
Depreciation and other loss	-	150,053	1,354,607	73,747	-	1,578,408
Acquiring through business merger	-	53,955	27,907	28,677	-	110,540
Impairment loss	-	109,410	1,034,545	12,150	-	1,156,105
Disposal	-	(35,828)	(1,761,997)	(314,738)	-	(2,112,563)
Scrap	-	-	(37,028)	(12,347)	-	(49,375)
Transfer	-	(43,605)	(907,150)	(48,877)	(12)	(999,644)
Influence of exchange rate change	-	(23,897)	(250,369)	(30,304)	-	(304,571)
December 31, 2019	<u>\$-</u>	<u>\$5,378,008</u>	<u>\$21,122,745</u>	<u>\$1,188,674</u>	<u>\$-</u>	<u>\$27,689,427</u>
Net book amount:						
December 31, 2020	<u>\$2,268,634</u>	<u>\$2,703,479</u>	<u>\$4,041,961</u>	<u>\$250,698</u>	<u>\$139,484</u>	<u>\$9,404,256</u>
December 31, 2019	<u>\$2,195,866</u>	<u>\$2,932,705</u>	<u>\$4,447,705</u>	<u>\$278,030</u>	<u>\$342,429</u>	<u>\$10,196,735</u>

(2) Property, plant and equipment for operating lease

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	Buildings and structures	Machinery equipment	Other equipment	Total
Cost:				
January 1, 2020	\$98,123	\$115,755	\$1,785	\$215,663
Adding	-	-	-	-
Transfer	87,637	-	10	87,647
Influence of exchange rate change	60	150	3	213
December 31, 2020	<u>\$185,820</u>	<u>\$115,905</u>	<u>\$1,798</u>	<u>\$303,523</u>
January 1, 2019	\$82,578	\$388,930	\$-	\$471,508
Adding	-	-	-	-
Acquiring through business merger	-	19,714	-	19,714
Transfer	16,550	(290,386)	1,855	(271,981)
Influence of exchange rate change	(1,005)	(2,503)	(70)	(3,578)
December 31, 2019	<u>\$98,123</u>	<u>\$115,755</u>	<u>\$1,785</u>	<u>\$215,663</u>
Depreciation and impairment:				
January 1, 2020	\$45,156	\$101,163	\$1,439	\$147,758
Depreciation	11,753	14,626	337	26,716
Transfer	58,715	-	10	58,725
Influence of exchange rate change	48	116	4	168
December 31, 2020	<u>\$115,672</u>	<u>\$115,905</u>	<u>\$1,790</u>	<u>\$233,367</u>
January 1, 2019	\$23,920	\$234,238	\$-	\$258,158
Depreciation	9,163	15,573	375	25,111
Acquiring through business merger	-	5,192	-	5,192
Transfer	12,769	(152,187)	1,113	(134,305)
Influence of exchange rate change	(696)	(1,653)	(49)	(2,398)
December 31, 2019	<u>\$45,156</u>	<u>\$101,163</u>	<u>\$1,439</u>	<u>\$147,758</u>
Net book amount:				
December 31, 2020	\$70,148	\$-	\$8	\$70,156
December 31, 2019	<u>\$52,967</u>	<u>\$14,592</u>	<u>\$346</u>	<u>\$67,905</u>

For collateral provided against the property, plant and equipment, please refer to note VIII of notes to consolidated financial statements.

11. Investment property

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
January 1, 2020	\$55,865	\$946,163	\$1,002,028
Adding – from subsequent expense	-	-	-
Transfer	-	143,027	143,027
Other changes	-	-	-
December 31, 2020	<u>\$55,865</u>	<u>\$1,089,190</u>	<u>\$1,145,055</u>
January 1, 2019	\$55,865	\$930,125	\$985,990
Adding – from subsequent expense	-	-	-
Transfer	-	16,038	16,038
December 31, 2019	<u>\$55,865</u>	<u>\$946,163</u>	<u>\$1,002,028</u>
Depreciation and impairment:			
January 1, 2020	\$-	\$658,378	\$658,378
Depreciation	-	13,717	13,717
Transfer	-	99,438	99,438
Other changes	-	-	-
December 31, 2020	<u>\$-</u>	<u>\$771,533</u>	<u>\$771,533</u>
January 1, 2019	\$-	\$639,378	\$639,378
Depreciation	-	19,000	19,000
Transfer	-	-	-
December 31, 2019	<u>\$-</u>	<u>\$658,378</u>	<u>\$658,378</u>
Net book amount:			
December 31, 2020	<u>\$55,865</u>	<u>\$317,657</u>	<u>\$373,522</u>
December 31, 2019	<u>\$55,865</u>	<u>\$287,785</u>	<u>\$343,650</u>

	<u>2020</u>	<u>2019</u>
Investment property rental revenue	\$69,951	\$68,207
Less: Direct operating expense incurred on investment property generating rental revenue for the current period	(13,626)	(11,798)
Direct operating expense incurred on investment property not generating rental revenue for the current period	-	-
Total	<u>\$56,325</u>	<u>\$56,409</u>

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Guarantee to investment property provided by the Group shall refer to Note VIII.

The investment property held by the Group is not measured according to the fair value, but only reveals the information of its fair value, which belongs to Level 3. The fair value of the investment property held by the Group were NT\$ 958,545,000 on December 31, 2020 and December 31, 2019, respectively.

12. Intangible asset

	Trademark right	Patent right	Goodwill	Other intangible asset	Franchise	Total
Cost:						
January 1, 2020	\$915,913	\$495,049	\$476,545	\$434,978	\$30,000	\$2,352,485
Adding – acquiring separately	-	554	-	294	-	848
Transfer	-	-	(25,165)	-	(30,000)	(55,165)
Acquiring through business merger	-	-	34,962	-	-	34,962
Influence of exchange rate change	3,960	-	-	-	-	3,960
December 31, 2020	<u>\$919,873</u>	<u>\$495,603</u>	<u>\$486,342</u>	<u>\$435,272</u>	<u>\$-</u>	<u>\$2,337,090</u>
January 1, 2019	\$921,037	\$493,344	\$476,545	\$434,978	\$-	\$2,325,904
Adding – acquiring separately	-	614	-	-	-	614
Transfer	-	-	-	-	30,000	30,000
Acquiring through business merger	835	1,091	-	-	-	1,926
Influence of exchange rate change	(5,959)	-	-	-	-	(5,959)
December 31, 2019	<u>\$915,913</u>	<u>\$495,049</u>	<u>\$476,545</u>	<u>\$434,978</u>	<u>\$30,000</u>	<u>\$2,352,845</u>
Amortization and impairment:						
January 1, 2020	\$915,198	\$468,984	\$-	\$372,773	\$5,000	\$1,761,955
Amortization	200	9,649	-	10,662	1,250	21,761
Transfer	-	-	-	-	(6,250)	(6,250)
Influence of exchange rate change	3,960	-	-	-	-	3,960

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December 31, 2020	\$919,358	\$478,633	\$-	\$383,435	\$-	\$1,781,426
January 1, 2019	\$765,792	\$458,990	\$-	\$232,541	\$-	\$1,457,323
Amortization	75,097	9,994	-	10,367	5,000	100,458
Impairment	76,217	-	-	129,865	-	206,082
Influence of exchange rate change	(1,908)	-	-	-	-	(1,908)
December 31, 2019	\$915,198	\$468,984	\$-	\$372,773	\$5,000	\$1,761,955
Net book amount:						
December 31, 2020	\$515	\$16,970	\$486,342	\$51,837	\$-	\$555,664
December 31, 2019	\$715	\$26,065	\$476,545	\$62,205	\$25,000	\$590,530

Amortization amount recognized as intangible asset as below:

	2020	2019
Operating cost and operating expense	\$21,761	\$100,458

13. Other non-current assets

	2020.12.31	2019.12.31
Refundable Deposits	\$16,572	\$65,387
Total	\$16,572	\$65,387

14. Goodwill impairment test

For the purpose of impairment test, the goodwill acquired due to the business merger is mainly apportioned to the cash generating unit of the storage media department.

The book amount of the goodwill apportioned to the cash generating unit is:

	Storage media department	
	2020.12.31	2019.12.31
Goodwill	\$451,380	\$476,545

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Storage media cash generating unit

The recoverable amount of storage media cash generating unit is determined according to the use value, and the use value is calculated from the cash flow forecast of 10-year financial budget estimated by the management level. The cash flow forecast has been updated to reflect relevant product demand change. The cash flow forecast used discount rate in December 31, 2020 and December 31, 2019 is 9%.

Key assumptions used to calculate the use value

The use value calculation of storage media cash generating unit is most sensitive to the following assumptions:

- (1) discount rate
- (2) gross profit rate
- (3) market share during the budget period; and
- (4) revenue growth rate during the extrapolation budget period

Discount rate – the discount rate represents the specific risk assessment of market to each cash generating unit at that time (time value of money and related assets individual risk not included in the estimates of cash flow). The discount rate calculation is based on the specific situation of the Group and its operating department, and derived from its weighted average cost of capital (WACC). WACC considers the liability and equity at the same time. The equity cost is derived from the expected investment return of the Group investors, and the liability cost is based on the interest-bearing loan obligated to repay by the Group.

Gross profit rate - the gross profit rate is estimated on the basis of the gross profit rate of the most recent year of the financial budget period and considering the future market trends.

Rise in raw material prices - the estimates are derived from the indicators published by the raw material suppliers and relevant commodity specific data. If the predicted data are acquirable publicly, it could be adopted; otherwise, the actual price fluctuations of raw materials in the past will be used as the indicator of future price fluctuations.

Market share assumptions - these assumptions are important because when the management level estimates the growth rate according to industry data, it shall assess the potential changes in the unit's market share relative to competitors during

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the budget period. The management level expects the Group's storage media product market share shall be stable during the budget period.

Revenue growth rate estimates - based on historical experience, the average long-term growth rate of The Group's budget has been adjusted with the consideration to the speed of product innovation and the overall economic environment.

Sensitivity to assumption change

With regard to the use value assessment of the cash generating unit of storage media, the management level believes that there is no substantial possibility to change the key assumptions mentioned above, so that the book amount of the unit significantly exceeds its recoverable amount.

Carrying amount of goodwill allocated to cash-generating units in other departments:

	Other departments	
	2020.12.31	2019.12.31
Goodwill	\$34,962	\$-

The goodwill of the cash-generating unit of other departments was obtained by the Group's participation in the acquisition of JHEN JHUAN CO., LTD. in April 2020. As of December 31, 2020, the impairment test of goodwill has not been conducted. For details, please refer to Note VI.32.

15. Short-term borrowing

	2020.12.31	2019.12.31
Borrowing by financial institutions	\$1,639,797	\$1,744,767
Interest rate range (%)	0.8400~4.0000	0.9500~4.8503

Up to December 31, 2020 and December 31, 2019, the unused short-term borrowing limits of the Group are respectively NT\$ 2,106,002,000 and NT\$ 2,053,779,000.

The guarantee to short-term borrowing shall refer to Note VIII.

16. Short-term notes and bills payable

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Guarantee agency	2020.12.31	2019.12.31
Commercial paper issued book value	\$45,000	\$79,200
Less: Discount on short-term notes and bills payable	(49)	(317)
Net amount	<u>\$44,951</u>	<u>\$78,883</u>
Interest rate range (%)	<u>0.7120~2.4880</u>	<u>0.7120~2.5380</u>

For collateral provided against the short-term notes payable, please refer to note VIII of notes to consolidated financial statements.

17. Financial liabilities measured at fair value through profit and loss

	109.12.31	108.12.31
Hold for trading:		
Derivatives that do not specify a hedging relationship:		
Embedded derivative financial instruments	385	-
Subtotal	<u>\$385</u>	<u>\$11,845</u>
Total		
Current	\$-	\$11,845
Non-current	385	-
Total	<u>\$385</u>	<u>\$11,845</u>

18. Company debt payable

The Group did not pay any domestic conversion of corporate bonds on December 31, 2019.

(1) Domestic conversion corporate bonds payable

	109.12.31
Debt elements:	
Denomination of domestic converted corporate bonds payable	\$349,900
Payable domestic conversion corporate bond discount	(22,870)
Subtotal	<u>327,030</u>
Less: Expires within one year	<u>-</u>

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Net amount	\$327,030
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(2) On June 4, 2020, the board of directors of Ritdisplay Corporation approved the issuance of the first domestic unsecured conversion of corporate bonds, and was approved by the JGZFZ No. 1090347186. The main terms of the issuance are as follows:

- A. Issue date: July 17, 202
- B. Total issuance: NT\$350,000,000
- C. Issuance price: issued in full face amount
- D. Coupon interest rate: 0%
- E. Coupon interest rate: 0%
- F. Issue period: July 17, 2020~July 17, 2023
- G. Conversion method:

(A) Conversion period: The bondholders shall start from the day following the expiration of three months after the issuance date of the converted corporate bonds (October 18, 2020) and end on the maturity date (July 17, 2023), except for (1) suspension of transfer period; The conversion shall be stopped from the fifteen business days before the cessation of transfer of the free allotment of Ritdisplay Corporation, the cessation of the transfer of cash dividends, or the cessation of transfer of the cash capital increase subscription to the base date of the right distribution; from the capital reduction base date for the capital reduction to the day before the trading day before the start of the capital reduction and exchange of stocks; from the starting date of the stop of conversion for the change of denomination of stocks to the day before the start of trading of the new shares for the exchange of stocks. The bondholders shall request Ritdisplay Corporation at any time to convert the bonds held by this conversion company into the common stock of Ritdisplay Corporation in accordance with the provisions of these measures.

(B) Conversion price and its adjustment: The conversion price was set at NT\$50.80 per share at the time of issuance. In the event of an adjustment of the conversion price of the common shares of Ritdisplay Corporation in compliance with the terms of issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of issuance.

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(C) Redemption on the maturity date: When the converted corporate bond is due and has not been settled, it will be repaid in full in cash at the face value of the bond.

H. Ritdisplay Corporation: Ritdisplay Corporation's right to redeem the bonds of the conversion company:

This converted corporate bond starts from the day after three months from the issuance date (October 18, 2020) to forty days before the expiration of the issuance period (June 7, 2023); in the following cases, Ritdisplay Corporation may recover all of its bonds in cash based on the face value of the bonds:

(A) When the closing price of the common shares of Ritdisplay Corporation exceeds the current conversion price by more than 30% (inclusive) for 30 consecutive business days.

(B) When the outstanding balance of the converted corporate bonds is less than 10% of the total amount of original issuance.

I. Bondholder's right to sell back:

The date of the conversion of the corporate bonds for two years (July 17, 2022) is the benchmark date for the bondholders to sell back the bonds in advance. The company shall send the "Notice of Exercise of the Right to Sell Back" to the bondholders 40 days before the benchmark date of the sellback (June 7, 2022), and send a letter to the Counter Buying Center to announce the exercise of the right to sell. The bondholder may notify the stock agency of in writing within 30 days (June 17, 2022) before the benchmark date for selling back, requiring Ritdisplay Corporation to redeem the bonds it holds with cash at 101.00% of the face value of the bonds (with an annual yield of 0.5% on sale). Ritdisplay Corporation accepts the sale back request and shall redeem the bond in cash within five business days after the sale back base date.

19. Long-term borrowing

	2020.12.31	2019.12.31
Borrowing by financial institutions	\$5,295,004	\$5,990,307
Borrowing by non-financial institutions	-	-

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Total	\$5,295,004	5,990,307
Less: Discount on long-term notes payable	(1,598)	(3,841)
Long-term borrowing maturing within one year or one business cycle	(1,356,413)	(1,172,211)
Net amount	\$3,936,993	\$4,814,255
Interest rate range (%)	0.6550~2.5000	1.5500~2.8120

(1) The Group signed the two-year NT\$ 700 million financing commitment contract with Taishin International Commercial Bank in August 2018. The main commitments of the above credit granting case are as follows:

A. In addition to the formal replacement of machinery equipment and the sale of inventories, the majority of the guarantor bank shall agree to sell, transfer, lend, lease or dispose all or substantial part of the assets, or in the case of material change in the business item or business undertaking.

Total liabilities of Consolidated Financial Statements may not exceed 100% of net tangible value; current assets shall not be less than 100% of current liabilities, and the tangible net value shall not be less than NT\$ 20 billion.

B. In June 2020, it changed its commitments with Taishin International Commercial Bank: the total liabilities of the consolidated financial statements shall not exceed 100% of the tangible net value; the current assets shall not be less than 100% of the current liabilities, and the tangible net value shall not be less than NT\$9 billion.

C. As of December 31, 2020 and December 31, 2019, the outstanding loan balance of The Group is NT\$ 673,000,000 and NT\$ 673,000,000 respectively.

(2) The Group signed the three-year NT\$ 500 million financing commitment contract with Yuanta Commercial Bank in March 2019. The main commitments of the above credit granting case are as follows:

A. Total liabilities of Consolidated Financial Statements shall not exceed 100% of net tangible value; current assets shall not be less than 100% of current liabilities, and the tangible net value shall not be less than NT\$ 10 billion.

B. As of December 31, 2020 and December 31, 2019, the outstanding loan

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balance of The Group is NT\$ 350,000,000 and NT\$ 450,000,000 respectively.

- (3) Subsidiary Ritdisplay Corporation signed the 13-year guarantee financing commitment contract of NT\$9.1 billion with joint credit syndicate as Bank of Taiwan in June 2002. The main commitments of above joint credit case are as follows:

- A. In addition to the formal replacement of machinery equipment and the sale of inventories, the majority of the guarantor bank's consent shall be required in the event of the sale, transfer, loan, lease or other disposal of all or substantial part of the assets, or in the case of material change of business or undertaking.

Subsidiary Ritdisplay Corporation signed the joint credit contract supplementary agreement with the joint credit syndicate on June 21, 2013, and the payment terms indicated the first installment payment on December 11, 2014, and every six months as one installment, to pay back in five installments averagely. Within the newly increased grace period, Ritdisplay was exempted for the test to above financial ratio and the tangible net value commitment, and Ritdisplay also agreed to pay compensation calculated on 0.15% of the outstanding principal to the joint credit syndicate at the end of the year.

In addition, the subsidiary Ritdisplay also signed the joint credit contract supplementary agreement with the joint credit syndicate on December 8, 2015; within the newly increased grace period (2011 ~ 2017), Ritdisplay was exempted for the test to above financial ratio commitment, and Ritdisplay also agreed to pay compensation calculated on 0.15% of the outstanding principal to the joint credit syndicate at the end of the year.

And also, the subsidiary Ritdisplay signed the credit contract of NT\$ 1.5 billion with the joint credit syndicate as Bank of Taiwan on July 28, 2016 for the unliquidated balance of participating loan case of NT\$ 9.1 billion plus the medium-term operation revolving funds, with the loan period from August 15, 2016 to August 15, 2021, and the payment method is to pay the first installment payment after 6 months from the date of the first use, then every

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6 months as one installment, to pay back in 10 installments averagely. The subsidiary Ritdisplay Corporation repaid the amount earlier in February 2019.

- (4) Subsidiary Ritdisplay Corporation signed the 5-year guarantee financing commitment contract of NT\$ 1.8 billion with joint credit syndicate as Bank of Taiwan in December 2018.

A. The financial commitment to syndicated loan

Maintain financial ratios and agreements as follows:

- (a) Current ratio (current assets/ current liabilities): keep at 100% and above
- (b) Debt ratio (total liabilities/tangible net worth): keep under 250%
- (c) Interest coverage ratio [(net income before tax + depreciation + amortization+ interest expense)/interest expense]: keep at least 6 times
- (d) Tangible net worth (shareholders' equity – intangible assets): keep at least NT\$ 1,000,000,000

The above ratio and standard shall be checked every six months according to the individual financial reports of the year (half year) of the accountant audit (review) visa. The financial ratio as of December 31, 2020 and December 31, 2019 were satisfactory to the regulations of syndicated loan contract granted by preceding Bank of Taiwan such united banking group.

- (5) Subsidiary U-tech Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 100,000,000 with joint credit syndicate as Far Eastern International Bank in January 2018. The major commitment for preceding loan are (1) current ratio shall not be not lower than 120%, (2) debt ratio shall not be higher than 100% in consolidated financial statements.
- (6) Subsidiary U-tech Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 130,000,000 with joint credit syndicate as CTBC Bank in May 2018. The major commitment for preceding loan are (1) tangible net worth ratio shall not be not lower than 2.15 billion, (2) current ratio shall not be lower than 150%, (3) total liabilities/tangible net worth shall not be higher than 100% in consolidated financial statements.
- (7) Subsidiary U-tech Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 150,000,000 with joint credit syndicate as O-Bank

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in December 2019. The major commitment for preceding loan are (1) tangible net worth ratio shall not be not lower than 2.2 billion, (2) total liabilities/tangible net worth shall not be higher than 100% in consolidated financial statements.

- (8) Subsidiary AimCore Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 150,000,000 with joint credit syndicate as Chang Hwa Commercial Bank in June 2014. The major commitment for preceding loan are (1) current ratio shall not be lower than 150%, (2) net income before tax shall be at least 3%, (3) if both financial ratios are satisfactory to the criteria, then the interest rate markup shall be 0.66%; if only one criteria is satisfactory, then the interest rate markup shall be 0.86%; if both ratios are unsatisfactory or without audited financial statements provided, then the interest rate markup will be changed to 1.06%.
- (9) Subsidiary AimCore Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 39,000,000 with joint credit syndicate as Chang Hwa Commercial Bank in September 2014. The major commitment for preceding loan are (1) current ratio shall not be lower than 150%, (2) net income before tax shall be at least 3%, (3) if both financial ratios are satisfactory to the criteria, then the interest rate markup shall be 0.86%; if only one criteria is satisfactory, then the interest rate markup shall be 1.06%; if both ratios are unsatisfactory or without audited financial statements provided, then the interest rate markup will be changed to 1.26%.
- (10) Subsidiary AimCore Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 163,000,000 with joint credit syndicate as Chang Hwa Commercial Bank in February 2015. The major commitment for preceding loan are (1) current ratio shall not be lower than 150%, (2) net income before tax shall be at least 3%, (3) if both financial ratios are satisfactory to the criteria, then the interest rate markup shall be 0.66%; if only one criteria is satisfactory, then the interest rate markup shall be 0.86%.
- (11) Subsidiary AimCore Technology Co., Ltd. signed the guarantee financing commitment contract of NT\$ 36,000,000 with joint credit syndicate as Chang Hwa Commercial Bank in July 2018. The major commitment for preceding loan are (1) current ratio shall not be lower than 150%, (2) net income before tax shall be at least 3%, (3) if both financial ratios are satisfactory to the criteria, then the interest rate markup shall be 0.74%; if only one criteria is satisfactory, then the interest rate markup shall be 1.06%; if both ratios are unsatisfactory or without audited financial statements provided, then the interest rate markup will be changed to 1.26%.
- (12) Subsidiary AimCore Technology Co., Ltd. signed the guarantee financing

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commitment contract of NT\$ 300,000,000 with joint credit syndicate as Chang Hwa Commercial Bank in October 2018. The major commitment for preceding loan are (1) current ratio shall not be lower than 150%, (2) net income before tax shall be at least 3%, (3) if both financial ratios are satisfactory to the criteria, then the interest rate markup shall be 0.54%; if only one criteria is satisfactory, then the interest rate markup shall be 0.86%; if both ratios are unsatisfactory or without audited financial statements provided, then the interest rate markup will be changed to 1.06%.

(13) The remaining loan repayment period starts from 2014 and ends in 2039 by stages.

(14) For the long-term loan guarantee, please refer to Note VIII.

20. Retirement benefit plan

Defined contribution plan

The Group and domestic subsidiary's employee retirement method under the "Labor Pensions Rule" is the defined contribution plan. In accordance with the provisions, The Group and domestic subsidiary shall contribute no less than 6% of the employee's monthly salary to the pension fund. In accordance with the employee retirement policy set forth, The Group and domestic subsidiary transfers in 6% of the employee's salary to the personal pension account in the Labor Insurance Bureau every month.

Subsidiary within the territory of Mainland China shall draw the pension insurance in certain proportion of the total employee salary in accordance with local government laws and regulations, to pay to each separate special account of employees in relevant government department.

The Group's other foreign subsidiary and branch shall draw the pension contributions to relevant pension management entity in accordance with local laws and regulations.

The Group confirmed and recognized transfer program costs in 2020 and 2019 are NT\$ 51,734,000 and NT\$ 54,170,000, respectively.

The increased pension expenses for appointed manager of subsidiary Ritdisplay Corporation in 2020 and 2019 were NT\$ 3,461,000 and NT\$ 4,326,000,

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respectively.

Defined benefit plan

The employee pension plan established by The Group and domestic subsidiary in accordance with the "Labor Standards Law" is the defined benefit plan, and the payment of the employee pension is calculated based on the base of service experience and the average monthly salary at the time of approved retirement. Two bases shall be given for each year of service less than 15 years (included), and one base shall be given for each year of service more than 15 years, provided that the maximum accumulative base number shall be 45. The Group and domestic subsidiary shall, in accordance with the Labor Standards Law, contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited in the special account in the name of the Labor Retirement Reserve Supervision Committee in the Bank of Taiwan. In addition, the Group and domestic subsidiary shall, before the end of each fiscal year, estimate the balance of the aforesaid labor retirement reserve account. If the balance is less than the amount of the aforesaid pension for the workers who are eligible for retirement in the next fiscal year, the Group shall allocate the difference before the end of March of the next fiscal year.

The Ministry of Labor allocates the assets according to the income and expenditure custody and operation methods of the labor retirement fund, and the investment of the fund shall be carried out in the form of self-management and entrusted management, as well as adopting the medium and long-term investment strategies in active and passive management. Considering the market, credit, liquidity and other risks, the Labor Department shall set the fund risk limit and control plan, so as to have enough flexibility to achieve the target reward without taking excessive risks. For the use of the fund, the minimum annual income distributed in the final accounts shall not be less than the income calculated on the basis of two-year time deposits of the local bank; in case of any deficiency, it shall be made up by the State Treasury after being approved by the competent authority. Since the Group has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IAS 19. As of December 31, 2020, the Company's defined benefit plan is expected to allocate NT\$ 12,003,000 for the next year.

As of December 31, 2020 and December 31, 2019, the weighted average duration of defined benefit plan of the Group is 11 to 15 years and 12 to 14 years respectively.

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The table below summarizes the defined benefit plan and recognizes to the cost of profit or loss:

	<u>2020</u>	<u>2019</u>
Current service cost	\$1,135	\$1,134
Net interest of net defined benefit liability (asset)	1,464	1,780
Previous service cost	-	-
Total	<u>\$2,599</u>	<u>\$2,914</u>

Present value of defined benefit obligation and fair value of plan asset are adjusted as below:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Present value of defined benefit obligation	\$433,142	\$447,343
Fair value of plan asset	284,796	279,100
Net amount of net defined benefit liability (asset)	<u>\$148,346</u>	<u>\$168,243</u>

Information expressed in assets and liabilities is as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Net defined benefit assets (listed in other non-current assets)	\$-	\$(8,575)
Net defined benefit liabilities	<u>\$148,346</u>	<u>\$168,243</u>

Net defined benefit liability (asset) adjustment:

	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liability (asset)
January 1, 2019	\$417,454	\$271,751	\$145,703
Current service cost	1,134	-	1,134
Interest expense (revenue)	5,941	4,161	1,780
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	<u>424,529</u>	<u>275,912</u>	<u>148,617</u>

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Defined benefit liability /asset			
remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	879	-	879
Financial assumption change generated actuarial profit or loss	14,242	-	14,242
Experience adjustment	26,258	-	26,258
Defined benefit asset remeasurement amount	-	8,515	(8,515)
Subtotal	41,379	8,515	32,864
Benefit of payment	(18,565)	(18,565)	-
Employer contribution amount	-	13,238	(13,238)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2019	\$447,343	\$279,100	\$168,243
Current service cost	1,135	-	1,135
Interest expense (revenue)	4,956	3,492	1,464
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	453,434	282,592	170,842
Defined benefit liability /asset			
remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	(247)	-	(247)
Financial assumption change generated actuarial profit or loss	16,516	-	16,516
Experience adjustment	(13,067)	-	(13,067)
Defined benefit asset remeasurement amount	-	14,281	(14,281)
Subtotal	3,202	14,281	(11,079)
Benefit of payment	(23,494)	(23,494)	-
Employer contribution amount	-	11,417	(11,417)
Effects of Changes in Foreign Exchange Rates	-	-	-

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December 31, 2020	\$433,142	\$284,796	\$148,346
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The following main assumptions are used to determine the defined benefit plan of the Company:

	2020.12.31	2019.12.31
Discount rate	1.00%	1.35%
Expected salary increasing rate	2.00%	2.00%

Every significant actuarial assumption sensitivity analysis:

	2020		2019	
	Defined benefit obligation increasing	Defined benefit obligation decreasing	Defined benefit obligation increasing	Defined benefit obligation decreasing
Discount rate increasing 0.5%	\$-	\$22,205	\$-	\$25,614
Discount rate decreasing 0.5%	24,856	-	28,305	-
Expected salary increasing 0.5%	24,688	-	28,204	-
Expected salary decreasing 0.5%	-	22,296	-	25,791

Assuming that the other assumptions are unchanged when handling the above sensitivity analysis, if the single actuarial assumption (such as the discount rate or expected salary) has reasonable change, it shall analyze the possible influence of defined benefit obligation. Because some actuarial assumptions are related to each other, single change in the actuarial assumption is rare in practice, thus this analysis has its limits.

The methods and assumptions used in the current sensitivity analysis are not different from those used in the previous analysis.

21. Equity

(1) Common stock

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As of December 31, 2020 and December 31, 2019, the paid-in capital of the Group is NT\$ 6,936,797,000 and NT\$ 12,841,579,000, and par value per share is NT\$ 10, totally 693,679,663 shares and 1,284,157,900 shares.

To improve the financial structure, the Group decides to reduce the capital and cover the deficit of NT\$ 5,904,782,000 in the shareholder meeting on June 17, 2020, and the reduced share number is 590,478,237, in the capital reduction rate of 45.98%, and also decides July 18, 2018 is the capital reduction base day in the shareholder meeting on August 10, 2020.

(2) Capital surplus

	<u>2020.12.31</u>	<u>2019.12.31</u>
Difference between actually acquired or disposed subsidiary equity price and book value	\$629,591	\$584,791
Donated assets received	4,937	4,937
Recognizing the change in ownership equity of subsidiary	512,595	540,190
Total	<u>1,147,123</u>	<u>\$1,129,918</u>

According to the law, the capital surplus shall not be used except to cover the Company's losses. When the Group has no losses, the capital surplus shall be generated from the excess amount of stock issued and the grant as well as the income received, to increase the capital in certain ratio of paid-in capital per year, and the aforesaid capital surplus may also be distributed in cash in proportion to the original shares of the shareholder.

(3) Surplus distribution and dividend policy

The Articles of Association of the Group stipulates that the industrial environment in which the Group is located is changing rapidly and the life cycle of the Group is in the period of rapid growth. Considering the future capital needs of the Company, long-term financial planning and corporate earnings growth, to meet the demand of shareholders to cash inflows, if there is surplus after the Company's annual final settlement, in addition to pay the profit-seeking enterprise income tax in accordance with the law and make up the

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losses of the previous year, ten percent should be drawn for the statutory surplus reserves, but when the statutory surplus reserves reached the paid-in capital of the Company, it shall not draw any more, and the rest shall be listed pursuant to applicable laws and regulations or transfer to special surplus reserves, and then its balance shall be firstly dispatched for the special stock dividend. The rest, together with 50 to 100 percent of the undistributed earnings set aside in previous years, will be the shareholders' dividends. The proportion of cash dividends will be determined by the detailed assessment of the Company's earnings growth for the coming year and its capital budget plan within the range no more than one half. The aforesaid ratio of dividend withdrawal and the ratio of cash dividend may be adjusted by the resolution of the board of shareholders according to the actual profit and capital status of the Group in the current year.

The Articles of Association of the Group stipulate that, where the accumulation of the preceding year or the after-tax earnings incurred in the current year are insufficient to set aside the deduction of shareholders' equity, the same amount of special surplus reserve shall be set aside from the undistributed earnings accumulated in the preceding year and deducted prior to the allocation of dividends for shareholders.

After adopting IFRS, the Group released the stipulation Letter JIN-GUAN-JHENG-FA No. 1010012865 in accordance with FSC on April 6, 2012; for the first-time application of IFRS, the unrealized revaluation appreciation and accumulated conversion adjustment benefits of the account are transferred to the retained surplus portion on the conversion day by reason of the application of IFRS 1 "First application of IFRS" exemption item, and the same amount of the special surplus reserve is set aside. Upon the application of IFRS to prepare the financial report, the special surplus reserve shall be set aside at the time of the assignment of the distributable surplus, on the basis of the difference between the balance of the special surplus reserve at the time of the first IFRS application and the net amount of other equity deductions. If the balance of any other deduction item of shareholders' equity subsequently turns, the surplus of the recovery portion may be distributed. The Group does not need to set aside any special surplus reserve due to the first application of IFRS.

Please refer to Note VI. 25 for information on the basis and amount of the appraisal of employee salary and the remuneration of the board of directors.

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(4) Non-controlling interest

	<u>2020</u>	<u>2019</u>
Beginning balance (according to IFRS 9)	\$4,160,740	\$4,037,714
Current net profit attributed to non-controlling interest	96,659	(316,575)
Other comprehensive profit or loss attributed to non-controlling interest:		
Exchange difference of financial statements conversion of foreign operating institutes	4,058	(19,312)
Unrealized profit or loss of financial assets measured at fair value through other comprehensive profit or loss	(118,539)	(122,205)
Actuarial profit or loss of defined benefit plan	7,437	(9,615)
Actually acquired or sold subsidiary share	172,625	208,335
Cash Dividends	(65,259)	(120,477)
New share issued by subsidiary not subscribed according to shareholding ratio	94,708	386,216
Other	(88,816)	116,659
Ending balance	<u>4,263,613</u>	<u>\$4,160,740</u>

22. Operating revenue

	<u>2020</u>	<u>2019</u>
Revenue from Contracts with Customers		
Revenue from sales of goods	\$6,147,761	\$7,427,761
Other operating revenue	430,448	351,362
Total	<u>\$6,578,209</u>	<u>\$7,779,123</u>

Information related to Revenue from Contracts with Customers on 2020 and 2019 is as below:

(1) Revenue subdivision

2020

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	Storage media department	OLED department	Other department	Total
Sales of goods	\$3,542,690	\$1,627,597	\$977,474	\$6,147,761
Others	375,433	8,976	46,039	430,448
Total	<u>\$3,918,123</u>	<u>\$1,636,573</u>	<u>\$1,023,513</u>	<u>\$6,578,209</u>

Revenue recognition time and place: In certain time and place	<u>\$3,918,123</u>	<u>\$1,636,573</u>	<u>\$1,023,513</u>	<u>\$6,578,209</u>
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2019

	Storage media department	OLED department	Other department	Total
Sales of goods	\$5,000,917	\$1,706,274	\$720,570	\$7,427,761
Others	302,807	8,558	39,997	351,362
Total	<u>\$5,303,724</u>	<u>1,714,832</u>	<u>\$760,567</u>	<u>\$7,779,123</u>

Revenue recognition time and place: In certain time and place	<u>\$5,303,724</u>	<u>\$1,714,832</u>	<u>\$760,567</u>	<u>\$7,779,123</u>
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(2) Contract balance

A. Contract liability – current (list other current liabilities)

	2020.12.31	2019.12.31	2019.1.1
Sales of goods	<u>\$70,775</u>	<u>\$65,917</u>	<u>\$65,334</u>

In 2020 and 2019, the contract liability balance of the Group decreases sharply due to majority performance obligations have been met, in which,

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NT\$ 65,917,000 and NT\$ 65,334,000 is the beginning balance and recognized as revenue in current period.

(3) Asset recognized from the acquisition or customer contract performance cost

None.

23. Expected credit impairment loss (profit)

	2020	2018
Operating expense		
Accounts receivable	\$18,302	\$56,716

Credit risk related information shall refer to Note XII.

The Group 's receivables (including the bill receivable, account receivable and other receivable) adopts the expected amount of credit loss during the existence term of the Group to measure the reserve for loss. The amount of reserve for loss is estimated at December 31, 2020 and December 31, 2019. The relevant interpretations are as follows:

- (1) The total book amount of bill receivable of NT\$ 26,581,000 and NT\$ 28,905,000 are not overdue, and the amount of reserve for loss, measured by 0% of the expected credit loss rate, is NT\$ 0.
- (2) The total book amount of other receivable is NT\$ 87,228,000 and NT\$ 53,582,000. Among them, the reserve for loss measured at 0%~100% of individual expected credit loss rate is NT\$ 1,000,000 and NT\$ 1,000,000. The remaining total book amount is not overdue and its expected credit loss rate is 0%.
- (3) The total carrying amounts of finance lease receivables were NT\$ 46,489,000 and NT\$ 48,608,000. The total carrying amount is not overdue with expected credit loss rate 0%.
- (4) Account receivable shall be grouped based on the factors such as the counterparty credit rating, region and industry, and adopts the reserve matrix to measure the reserve for losses. Relevant information is as follows:

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2020.12.31

	Not overdue	Overdue days					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 120 days	
Total book amount	\$1,002,925	\$98,296	\$14,142	\$4,288	\$596	\$298,456	\$1,418,703
Loss ratio (%)	0%	1%	2%	5%	10%	20%-100%	
Expected credit loss during the term of existence	-	983	283	214	60	278,382	279,922
Book value	\$1,002,925	\$97,313	\$13,859	\$4,074	\$536	\$20,074	\$1,138,781

2019.12.31

	Not overdue	Overdue days					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 120 days	
Total book amount	\$886,408	\$149,467	\$33,068	\$10,386	\$5,997	\$293,886	\$1,379,212
Loss ratio (%)	0%	1%	2%	5%	10%	20~100%	
Expected credit loss during the term of existence	-	1,495	661	519	600	248,066	251,341
Book value	\$886,408	\$147,972	\$32,407	\$9,867	\$5,397	\$45,820	\$1,127,871

Change information of bill receivable, account receivable and other receivable reserve for loss of the Group on 2020 and 2019 are as below:

	Bill receivable	Account receivable	Other receivables	Finance lease receivable
2020.1.1	\$-	\$251,341	\$1,000	\$-
Current increased (recovered) amount	-	18,302	-	-
Offset for unrecoverable	-	(3,000)	-	-
Acquiring through business merger	-	1,007	-	-
Exchange rate change	-	12,272	-	-

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2020.12.31	\$-	\$279,922	\$1,000	\$-
2019.1.1	\$-	\$228,717	\$1,000	\$-
Current increased (recovered) amount	-	56,716	-	-
Offset for unrecoverable	-	(28,834)	-	-
Exchange rate change	-	1,355	-	-
2019.12.31	-	(6,613)	-	-
	\$-	\$251,341	\$1,000	\$-

24. Operating lease

(1) The Group as the lessee

The Group's major rental assets are land, house and building and machinery. The terms of contracts are between 1 and 20 years.

The effects of lease to the financial conditions, financial performance and cash flow of the Group are as follows:

A. Amount recognized in balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2020.12.31	2019.12.31
Land	\$156,593	\$161,160
House and building	166,989	32,552
Machinery	1,558	119,567
Total	\$325,140	\$313,279

The addition to right-of-use property were NT\$ 9,141,000 and NT\$ 12,410,000 in 2020 and 2019.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities	\$242,571	\$235,887
Current	\$25,656	\$39,098
Non-current	216,915	196,789

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Please refer to note VI. 26(3) financial cost for the interest expense of lease liabilities in 2019; please refer to note XII liquidity risks management for maturity analysis of lease liabilities.

B. The amount recognized in comprehensive profit and loss

Depreciation of right-of-use assets

	2020	2019
Land	\$24,358	\$13,864
House and building	25,652	11,977
Machinery	472	6,795
Total	\$50,482	\$32,636

Note: The Group has adopted IFRS 16 since January 1, 2019 and selects not to restate comparative information pursuant to the transitional regulations of IFRS 16

C. The income and expenses of lessee in related with lease activities

	2020	2019
Short-term lease expenses	\$33,208	\$25,529
Low value assets lease expenses (excluding the short-term low value asset lease expenses)	-	-
Variable lease payment excluded from the measurement of lease liabilities	700	1,392

As of December 31, 2019 and 2020, the short-term lease portfolio promised by the Group and the lease target categories related to the aforementioned short-term lease expenses are all leases of similar property.

In 2020, the Group's rent concession in line with the direct result of the COVID-19 pandemic was NT\$2,156,000. It is recognized in other income to reflect changes in lease payments due to applicable practical expedient practices.

D. The cash outflow of lessee in related with lessee and lease activities

The total cash outflow of the Group from lease were NT\$ 66,339,000 and NT\$ 43,773,000 in 2020 and 2019.

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E. Other information regarding lease activities

(a) Variable lease payment

The Group has rented some roofs of building for contract of solar power system construction, including the variable lease payment in connected with revenue of selling solar power, in which the variable lease payment amount is connected with the percentage of power sales revenue. Since such variable lease payment is unsatisfactory to the definition of lease payment, it is excluded from the measurement of assets and liabilities. Each increase of NT\$100,000 in the estimated sales amount of the Group in 2020 and 2019 will increase rental expenses of NT\$1,000 to NT\$26,000 and NT\$3,000 to NT\$65,000 respectively.

(b) Option for lease extension and lease termination

Some property lease contracts of the Group contain options for lease extension and least termination. As determining the term of lease, the non-cancellable period of right-of-use for subject assets altogether with the period which the Group is reasonably certain to exercise the option for lease extension and the period which the Group is reasonably certain not to exercise the option for lease termination. Such use of option may maximize the flexibility of management contract. Majority options for lease extension and lease termination contained may only be exercised by the Group.

The Group will reevaluate the term of lease if material event or material change occurs after the commencement date (to the extent controllable by the lessee and will affect the decision of the Group whether to exercise the option excluded in term of lease previously determined or not to exercise the option contained in the term of lease as previously determined)

(2) The Group as the leaser (applicable to IFRS 16 related disclosures)

Please refer to note VI.11 for disclosure in related with private owned investment property. Since almost all risks and rewards attributed to the subject assets are not transferred, the private owned investment properties are classified as operating lease. Please refer to note VI.10 for property, plant and equipment lent under operating lease applicable to disclosure of IAS 16.

	2020	2019
Lease income recognized under operating lease		
Fixed lease payment and income in related	\$169,101	\$160,127

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with variable lease payment depending on
index or rate

The total amount of undiscounted lease payment to be collected from and remaining years of operating lease contract signed by the Group as of December 31, 2020 and December 31, 2019.

	2020.12.31	2019.12.31
Less than one year	\$ 158,756	\$139,740
More than one year but less than two years	142,522	100,741
More than two year but less than three years	98,967	63,634
More than three year but less than four years	77,423	54,173
More than four year but less than five years	66,533	50,063
More than five years	63,727	99,602
Total	\$ 607,928	\$507,953

25. Staff welfare, depreciation and amortization expense function classification summary sheet is as below:

Nature\Function	2020				2019			
	Operating cost	Operating expense	Non-operating expense	Total	Operating cost	Operating expense	Non-operating expense	Total
Staff welfare expense								
Salary expense	\$870,438	\$448,604	-	\$1,319,042	\$925,940	\$406,273	\$-	\$1,332,213
Labor insurance expense	80,820	30,544	-	111,364	91,601	27,630	-	119,231
Pension expense	34,932	22,862	-	57,794	38,261	18,901	-	57,162
Other staff welfare expense	19,792	11,532	-	31,324	25,151	14,006	-	39,157
Depreciation expense	1,057,829	582,802	292,032	63,059	937,893	1,083,386	367,644	204,123
Amortization expense	52,700	42,093	33,182	-	75,275	69,988	37,086	5,587

The Articles of Association of the Group stipulate that if the Group makes profits in the current year, it shall set aside 3-10% as the remuneration for employees and no more than 4% as the remuneration for directors. However, if the Group has

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accumulated losses, it shall reserve the amount to make up for them firstly. Where the employee remuneration referred to in the preceding paragraph can be paid in cash or stock, the object of the payment may include the employees of the subordinate company who meet certain conditions prescribed by the board of directors. For the information about employee compensation and remuneration approved by the board of directors, please refer to the "Open Information Observation Station" of Taiwan Stock Exchange.

The Group is in the state of loss in 2020 and 2019, so it does not list the remuneration of employees and the remuneration of the board of directors.

26. Non-operating revenue and expense

(1) Other revenue

	2020	2019
Rental revenue	\$169,101	\$160,127
Dividend revenue	65,332	16,583
Other revenue	156,776	52,691
Total	<u>\$391,209</u>	<u>\$229,401</u>

(2) Other profits and losses

	2020	2019
Net profit (loss) from disposal of property, plant and equipment	\$(17,238)	\$74
Profit (loss) from disposal of investment	23,453	(177)
Net foreign currency exchange profit (loss)	(70,499)	80,802
Miscellaneous expense	(245,190)	(145,377)
Financial assets measured at fair value through profit or loss (Note)	78,804	(66,438)
Profit from buy cheap	-	19,359
Impairment loss	(1,362,187)	(9,423)
Total	<u>\$(1,592,857)</u>	<u>\$(121,180)</u>

(3) Financial cost

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	2020	2019
Interest of bank and other borrowings	\$148,111	\$173,452
Interest payable on corporate bonds	3,464	-
Interest of lease obligations	5,231	5,947
Total	<u>\$156,806</u>	<u>\$179,399</u>

27. Components of other comprehensive profit or loss

2020

	Current incurrence	Current reclassification adjustment	Other comprehensive profit or loss	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Defined benefit plan remeasurement amount	\$11,079	\$-	\$11,079	\$(5,075)	\$6,004
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	(141,220)	-	(141,220)	-	(141,220)
Items possible to be reclassified to profit or loss in the future:					
Exchange difference of financial statements conversion of foreign operating institutes	(73,147)	-	(73,147)	64	(73,083)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(1,742)	-	(1,742)	-	(1,742)
Total	<u>\$(205,030)</u>	<u>\$-</u>	<u>\$(205,030)</u>	<u>\$(5,011)</u>	<u>\$(210,041)</u>

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2019

	Current Current incurrence	Current reclassification adjustment	Other comprehensive profit or loss	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Defined benefit plan remeasurement amount	\$(31,875)	\$-	\$(31,875)	\$5,075	\$(26,800)
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	(70,218)	-	(70,218)	-	(70,218)
Items possible to be reclassified to profit or loss in the future:					
Exchange difference of financial statements conversion of foreign operating institutes	(95,612)	-	(95,612)	1,847	(93,765)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(602)	-	(602)	-	(602)
Total	\$(198,307)	\$-	\$(198,307)	\$6,922	\$(191,385)

28. Income tax

(1) Major components of income tax expense (benefit) in 2020 and 2019 are as below:

Income tax recognized as profit or loss

	2020	2019
Current income tax expense:		
Current income tax payable	\$10,536	\$22,562
Current income tax of previous year adjusted in current period	(1,491)	5,574
Deferred income tax expense:		

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Deferred income tax expenses related to original generation of temporary difference and its recovery	6,189	53,070
Deferred income tax related to original generation and recovery of tax loss and income tax deduction	96,277	354,387
Deferred income tax related to tax rate change or new tax levy	(39,539)	(334,319)
Deferred income tax asset offset (recovery of previous offset)	-	7
Others	\$71,972	\$101,281
Income tax expense	\$10,536	\$22,562

Income tax recognized as other comprehensive profit or loss

	2019	2018
Deferred income tax expense (benefit):		
Exchange difference of financial statements conversion of foreign operating institutes	\$(64)	\$(1,847)
Determine the re-measurement number of the benefit plan	5,075	(5,075)
Income tax related to other comprehensive profit and loss components	5,011	(6,922)

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted as follows:

	2020	2019
Pre-tax loss from continuous operating entity	\$(729,755)	\$(2,470,201)
Tax calculated according to applicable domestic tax rate of income of relevant country	(832)	(898,931)
Tax-exempt income tax influence number	(46,658)	(25,768)
Non-deductible expense income tax influence number in tax declaration	26,603	29,216
Deferred income tax asset / liability income tax influence number	71,032	971,197
Additional 10% income tax levied on undistributed surplus	2,467	9,956
Basic income tax for profit-making business	3,780	3,112
Effect of different tax rates applicable to individuals operating in other tax jurisdictions	15,832	6,925

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Adjustment in current year of current income tax of previous year	(252)	5,574
Total income tax expense recognized as profit or loss	\$71,972	\$101,281

Deferred income tax asset (liability) balance related to following items:

2020

	Beginning balance	Recognized as profit or loss	Recognized as other comprehensi ve profit or loss	Combined acquisition	Ending balance
Temporary difference					
Profit(loss) of unrealized foreign currency exchange	\$(3,171)	\$11,805	\$-	\$-	\$8,634
Loss of unrealized foreign currency exchange	10,213	(2,209)	-	-	8,004
Bad debt reserve recognition	336	247		-	583
Unrealized profit between the affiliated companies	1,921	(1,414)		-	507
Unrealized asset depreciation loss	3,602	-		-	3,602
Unrealized evaluation gain or loss on financial assets and liabilities	8	(69)		-	(61)
Fiscal and tax differences in depreciation	(26,607)	(17,651)		-	(44,258)
Net defined benefit liability – non-current	4,676	692		-	5,368
Unused tax loss	340,249	(53,838)		-	286,411
Remeasurement of defined benefit plan	5,075	-	(5,075)	-	-
Bargain purchase gains	(3,276)	-	-	-	(3,276)
Exchange difference of financial statements conversion of foreign operating institutes	13,984	-	64	-	14,048
Deferred income tax (expense) / benefit	\$347,010	(62,437)	(5,011)	\$-	\$279,562
Deferred income tax asset /	\$347,010				\$279,562

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(liability) net amount		
Information expressed in balance sheet as below:		
Deferred income tax asset	\$382,527	\$327,157
Deferred income tax liability	\$(35,517)	\$(47,595)

2019

	Beginning balance	Recognized as profit or loss	Recognized as other comprehen- sive profit or loss	Combined acquisition	Ending balance
Temporary difference					
Profit(loss) of unrealized foreign currency exchange	\$(14,339)	\$11,168	\$-	\$-	\$(3,171)
Loss of unrealized foreign currency exchange	9,972	241	-	-	10,213
Bad debt reserve recognition	21,632	(21,296)	-	-	336
Unrealized profit between the affiliated companies	27,764	(25,843)	-	-	1,921
Year-end bonus	11,961	(11,961)	-	-	-
Unrealized asset depreciation loss	3,602	-	-	-	3,602
Unrealized appraisal gains and losses of financial assets and liabilities	-	8	-	-	8
Fiscal and tax differences in depreciation	(21,058)	(5,549)	-	-	(26,607)
Unrealized fire loss	3,028	(3,028)	-	-	-
Net defined benefit liability – non-current	3,810	866	-	-	4,676
Unused tax loss	360,358	(20,109)	-	-	340,249
Determine the remeasurement number of the benefit plan	-	-	5,075	-	5,075
Cheap purchase benefits	-	(3,276)	-	-	(3,276)
Exchange difference of financial statements conversion of foreign operating institutes	12,137	-	1,847	-	13,984
Deferred income tax (expense) / benefit		\$(78,779)	\$6,922	\$-	

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Deferred income tax asset / (liability) net amount	<u>\$418,867</u>	<u>\$347,010</u>
Information expressed in balance sheet as below:		
Deferred income tax asset	<u>\$455,203</u>	<u>\$382,527</u>
Deferred income tax liability	<u>\$(36,336)</u>	<u>\$(35,517)</u>

Unused tax loss information of the Group is summarized as below:

The Company

Incurrence year	Loss amount	Unused balance		Final deductible year
		2020.12.31	2019.12.31	
2010	\$1,258,894	\$-	\$1,258,894	2020
2011	1,913,163	1,913,163	1,913,163	2021
2012	938,408	938,408	938,408	2022
2013	2,070,277	2,070,277	2,070,277	2023
2014	2,300,611	2,300,611	2,300,611	2024
2015	5,783,839	5,783,839	5,783,839	2025
2016	1,144,980	1,144,980	1,144,980	2026
2017	817,581	817,581	817,581	2027
2018	704,179	701,320	701,320	2028
2019	214,935	214,935	214,935	2029
2020	501,860	501,860	-	2030
Total		<u>\$16,386,974</u>	<u>\$17,144,008</u>	

Subsidiary: U-tech Technology Co., Ltd.

Incurrence year	Loss amount	Unused balance		Final deductible year
		2020.12.31	2019.12.31	
2010	\$197,635	\$-	\$162,251	2020
2011	109,721	109,721	109,721	2021
2013	42,790	42,790	42,790	2023
2014	3,363	3,363	3,363	2024
2017	44,682	44,682	44,682	2027
2018	389,149	389,149	389,149	2028

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	\$589,705	\$751,956
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Subsidiary: Ritdisplay

Incurrence year	Loss amount	Unused balance		Final deductible year
		2019.12.31	2018.12.31	
2010	\$465,480	\$-	\$465,480	2020
2011	394,751	394,751	394,751	2021
2012	245,887	245,887	245,887	2022
2013	547,826	519,724	519,724	2023
2014	333,184	333,184	333,184	2024
2015	41,386	41,386	41,386	2025
2016	33,599	33,599	39,114	2026
2017	32,897	32,897	32,897	2027
2020	3,122	3,122	-	2030
Total		\$1,604,550	\$2,072,423	

Subsidiary: Prorit

Incurrence year	Loss amount	Unused balance		Final deductible year
		2020.12.31	2019.12.31	
2010	\$ 63,372	\$-	\$ 63,372	2020
2011	47,171	47,171	47,171	2021
2012	48,312	48,312	48,312	2022
2013	23,547	23,547	23,547	2023
Total		\$119,030	\$182,402	

Subsidiary: Ritfast Corporation

Incurrence year	Loss amount	Unused balance		Final deductible year
		2020.12.31	2019.12.31	
2012	\$112,730	\$112,730	\$112,730	2022
2013	133,761	133,761	133,761	2023
2014	227,601	227,601	227,601	2024
2015	202,405	202,405	202,405	2025
2016	168,792	168,792	168,792	2026
2017	160,906	160,906	160,906	2027

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2018	381,544	381,544	381,544	2028
2019	52,311	52,311	52,311	2029
2020	5,297	5,297	-	
Total		<u>\$1,445,347</u>	<u>\$1,440,050</u>	

Unrecognized deferred income tax asset

As of December 31, 2020 and December 31, 2019, the total amount of deferred income tax asset unrecognized by the Group was respectively NT\$ 6,755,162,000 and NT\$ 6,238,031,000.

(2) Income tax declaration approval condition

As of December 31, 2020, the income tax declaration approval condition of the Group and domestic subsidiary is as below:

	<u>Income tax declaration approval condition</u>
The Group	Approved to 2018
Subsidiary U-Tech	Approved to 2018
Subsidiary AimCore	Approved to 2018
Subsidiary Ritdisplay	Approved to 2018
Subsidiary Prorit	Approved to 2018

29. Loss per share

The amount of the basic earnings (loss) per share shall be calculated by dividing the current net profit (loss) attributable to the holders of the parent company's ordinary shares by the weighted average number of ordinary shares outstanding in the current period.

As the Group does not issue the dilutive potential ordinary shares, there is no need for the Group to dilute the amount of the basic earnings per share.

	<u>2020</u>	<u>2019</u>
Basic loss per share		
Net loss attributable to common shareholders of the parent company (NT\$ 1,000)	\$(897,386)	\$(2,254,907)
Retroactively adjusted weighted average number of ordinary shares of basic loss per share (1,000)	<u>693,680</u>	<u>693,680</u>

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shares)		
Basic loss per share (NT\$)	\$(1.29)	\$(3.25)

After the reporting period and before the financial statements were approved for release, there were no other transactions that substantially changed the number of common shares outstanding or potential common shares at the end of the period.

30. Change of subsidiary ownership equity

Acquiring the subsidiary issued share

The Group additionally acquired 0.09% voting share of Ritfast in 2020. The cash consideration paid to non-controlling equity shareholder was NT\$ 238,000, and the additional acquired stock equity book amount of Ritfast (originally acquired and excluding the goodwill) was NT\$ 241,000; the increase (decrease) amount of relevant equity including the non-controlling equity of Ritfast was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(238)
Non-controlling equity decreased amount	241
Difference of capital surplus recognized in equity	\$3

The Group additionally acquired 0.05% voting share of PlexBio in 2020. The cash consideration paid to non-controlling equity shareholder was NT\$76,000, and the additional acquired stock equity book amount of PlexBio (originally acquired and excluding the goodwill) was NT\$ 104,000; the increase (decrease) amount of relevant equity including the non-controlling equity of PlexBio was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(76)
Non-controlling equity decreased amount	104
Difference of capital surplus recognized in equity	\$28

The Group additionally acquired 0.02% voting share of AimCore in 2019. The cash consideration paid to non-controlling equity shareholder was NT\$ 125,000, and the additional acquired stock equity book amount of AimCore (originally acquired and excluding the goodwill) was NT\$ 521,000; the increase (decrease) amount of relevant equity including the non-controlling equity of AimCore was as below:

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Cash consideration paid by the Group to non-controlling shareholder	\$(152)
Non-controlling equity decreased amount	270
Difference of capital surplus recognized in equity	<u>\$118</u>

The Group additionally acquired 1.28% voting share of HouJu in 2019. The cash consideration paid to non-controlling equity shareholder was NT\$ 6,754,000, and the additional acquired stock equity book amount of HouJu (originally acquired and excluding the goodwill) was NT\$ 7,240,000; the increase (decrease) amount of relevant equity including the non-controlling equity of HouJu was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(6,754)
Non-controlling equity decreased amount	6,907
Difference of capital surplus recognized in equity	<u>\$153</u>

The Group additionally acquired 0.64% voting share of Ritdisplay in 2019. The cash consideration paid to non-controlling equity shareholder was NT\$ 30,531,000, and the additional acquired stock equity book amount of Ritdisplay (originally acquired and excluding the goodwill) was NT\$ 12,862,000; the increase (decrease) amount of relevant equity including the non-controlling equity of Ritdisplay was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(30,531)
Non-controlling equity decreased amount	13,135
Difference of capital surplus recognized in equity	<u>\$(17,396)</u>

The Group additionally acquired 20.55% voting share of CASHIDO in 2019. The cash consideration paid to non-controlling equity shareholder was NT\$ 4,031,000, and the additional acquired stock equity book amount of CASHIDO (originally acquired and excluding the goodwill) was NT\$ 3,974,000; the increase (decrease) amount of relevant equity including the non-controlling equity of CASHIDO was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(4,031)
Non-controlling equity decreased amount	<u>4,002</u>

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Difference of capital surplus recognized in equity	\$(29)
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The Group additionally acquired 9.20% voting share of Finesil in 2019. The cash consideration paid to non-controlling equity shareholder was NT\$ 9,736,000, and the additional acquired stock equity book amount of Finesil (originally acquired and excluding the goodwill) was NT\$ 11,161,000; the increase (decrease) amount of relevant equity including the non-controlling equity of Finesil was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(9,736)
Non-controlling equity decreased amount	10,087
Difference of capital surplus recognized in equity	\$351

The Group additionally acquired 0.05% voting share of Ritfast Corporation in 2019, resulting in the increase of ownership to 98.85%. The cash consideration paid to non-controlling equity shareholder was NT\$ 166,000, and the additional acquired stock equity book amount of Ritfast Corporation (originally acquired and excluding the goodwill) was NT\$ 245,705,000; the increase (decrease) amount of relevant equity including the non-controlling equity of Ritfast Corporation was as below:

Cash consideration paid by the Group to non-controlling shareholder	\$(166)
Non-controlling equity decreased amount	123
Difference of capital surplus recognized in equity	\$(43)

Selling the subsidiary share

The Group sold 4.62% voting share of Ritdisplay in 2020. The cash consideration acquired from non-controlling equity shareholder was NT\$ 169,739,000, and the sold stock equity book amount of Ritdisplay was NT\$ 92,166,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritdisplay was as below:

Cash consideration of the Group acquired from non-controlling shareholder	\$118,253
Non-controlling equity increased amount	(125,499)
Difference of capital surplus recognized in equity	\$44,240

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The Group sold 30.77% voting share of Ricare in 2020. The cash consideration acquired from non-controlling equity shareholder was NT\$ 40,000,000, and the sold stock equity book amount of Ricare was NT\$ 39,495,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ricare was as below:

Cash consideration of the Group acquired from non-controlling shareholder	\$40,000
Non-controlling equity increased amount	(39,495)
Difference of capital surplus recognized in equity	\$505

The Group sold 20.00% voting share of AimEC in 2020. The cash consideration acquired from non-controlling equity shareholder was NT\$ 8,000,000, and the sold stock equity book amount of AimEC was NT\$ 7,898,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of AimEC was as below:

Cash consideration of the Group acquired from non-controlling shareholder	\$8,000
Non-controlling equity increased amount	(7,976)
Difference of capital surplus recognized in equity	\$24

The Group sold 4.43% voting share of Ritdisplay in 2019. The cash consideration acquired from non-controlling equity shareholder was NT\$ 169,736,000, and the sold stock equity book amount of Ritdisplay was NT\$ 81,024,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritdisplay was as below:

Cash consideration of the Group acquired from non-controlling shareholder	\$169,736
Non-controlling equity increased amount	(120,268)
Difference of capital surplus recognized in equity	\$49,468

The Group sold 5.54% voting share of U-tech in 2019. The cash consideration acquired from non-controlling equity shareholder was NT\$ 91,307,000, and the sold

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stock equity book amount of U-tech was NT\$ 125,473,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of U-tech was as below:

Cash consideration of the Group acquired from non-controlling shareholder	\$91,307
Non-controlling equity increased amount	(122,469)
Difference of capital surplus recognized in equity	<u>\$(31,162)</u>

Other

The subsidiary Ricare issued the new stock for capital increase on January 13, 2020, and the Group did not subscribe, thus decreased 19.23% stock equity. The Group acquired capital increase cash was NT\$ 95,000,000, and the net asset book amount of Ricare (originally acquired and excluding the goodwill) was NT\$ 103,040,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ricare was as below:

The Group acquired capital increase cash	\$95,000
Non-controlling equity book amount	<u>(94,693)</u>
Difference of capital surplus recognized in equity	<u>\$307</u>

The subsidiary Ritfast issued the new stock for capital increase on April 17, 2020, and the Group subscribe partially, thus increased 0.23% stock equity. The Group acquired capital increase cash was NT\$ 0, and the net asset book amount of Ritfast (originally acquired and excluding the goodwill) was NT\$ 321,212,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritfast was as below:

The Group acquired capital increase cash	\$-
Non-controlling equity book amount	<u>(15)</u>
Difference of capital surplus recognized in equity	<u>\$(15)</u>

Subsidiary Ritdisplay bought back 1,000,000 treasury shares on December 24, 2020. As a result, the number of outstanding shares decreased and the group's shareholding ratio increased by 0.87%.

The cash paid for repurchasing the treasury shares of the subsidiary Ritdisplay is NT\$51,486,000, and the book value of the net assets of Ritdisplay (originally obtained without goodwill) is NT\$21,383,000. The increase (decrease) in the related

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equity of Ritdisplay, including non-controlling interests, is as follows:

The Group acquired capital increase cash	\$(51,486)
Non-controlling equity book amount	23,641
Difference of capital surplus recognized in equity	<u>\$(27,845)</u>

Subsidiary Ritdisplay did not participate in the cash capital increase of subsidiary Xinbao in December 2020, and the Group's shareholding ratio decreased by 21.26%. The carrying amount of the net assets of Xinbao(originally obtained and excluding goodwill) is NT\$357,000. The decrease in the related equity of Xinbao including the increase (decrease) of non-controlling interests is as follows:

The Group acquired capital increase cash	`\$-
Non-controlling equity book amount	(42)
Difference of capital surplus recognized in equity	<u>\$(42)</u>

The subsidiary Ritdisplay issued the new stock for capital increase on January 15, 2019, and the Group did not subscribe, thus decreased 7.72% stock equity. The Group acquired capital increase cash was NT\$ 517,979,000, and the net asset book amount of Ritdisplay (originally acquired and excluding the goodwill) was NT\$ 205,680,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritdisplay was as below:

The Group acquired capital increase cash	\$517,979
Non-controlling equity book amount	(343,529)
Difference of capital surplus recognized in equity	<u>\$174,450</u>

The subsidiary Finesil issued the new stock for capital increase on June 12, 2019, which was subscribed totally by AimCore, additional 25.55% equity was acquired by the Group. The Group acquired capital increase cash was NT\$ 29,896,000, and the net asset book amount of Finesil (originally acquired and excluding the goodwill) was NT\$ 976,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Finesil was as below:

The Group acquired capital increase cash	\$-
Non-controlling equity book amount	976
Difference of capital surplus recognized in equity	<u>\$976</u>

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The subsidiary HouJu issued the new stock for capital increase on August 30, 2019, and AimCore and U-tech subscribed NT\$ 12,053,000 and NT\$ 21,947,000 shares respectively. Accordingly, Aimcore increased 4.10% equity and U-tech reduced 4.10% equity. The Group acquired capital increase cash was NT\$ 380,800,000, and the net asset book amount of HouJu (originally acquired and excluding the goodwill) was NT\$ 339,292,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of HouJu was as below:

The Group acquired capital increase cash	\$-
Non-controlling equity book amount	(11,126)
Difference of capital surplus recognized in equity	\$(11,126)

The subsidiary Ricare Corporation issued the new stock for capital increase on September 13, 2019, which was subscribed totally by U-tech. The Group acquired capital increase cash was NT\$ 40,000,000, and the net asset book amount of Ricare Corporation (originally acquired and excluding the goodwill) was NT\$ 981,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ricare Corporation was as below:

The Group acquired capital increase cash	\$-
Non-controlling equity book amount	981
Difference of capital surplus recognized in equity	\$981

The subsidiary CASHIDO issued the new stock for capital increase on September 30, 2019, and RitDisplay subscribed 3,140,000 shares and therefore increased 27.74% equity. The Group acquired capital increase cash was NT\$ 23,505,000, and the net asset book amount of CASHIDO (originally acquired and excluding the goodwill) was NT\$ 32,877,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of CASHIDO was as below:

The Group acquired capital increase cash	\$23,505
Non-controlling equity book amount	(22,761)
Difference of capital surplus recognized in equity	\$744

The subsidiary Ritfast Corporation issued the new stock for capital increase on October 25, 2019, and the Group subscribed partially, thus decreased 0.72% stock equity. The Group acquired capital increase cash was NT\$ 70,000, and the net asset book amount of Ritfast Corporation (originally acquired and excluding the goodwill) was NT\$ 247,383,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritfast Corporation was as

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below:

The Group acquired capital increase cash	\$70
Non-controlling equity book amount	(139)
Difference of capital surplus recognized in equity	\$(69)

Zhongchuang Technology Co., Ltd. sold 31.03% equity of Cashido Technology 31.03% to RitDisplay on May 28, 2019. Since the Group still has control power over Cashido Technology, the increase of interest in related with Cashido Technology, including the increase (decrease) of non-controlling interest is as follows:

The Group paid capital increase cash	\$-
Non-controlling equity increased amount	(10,496)
Difference of capital surplus recognized in equity	<u><u>\$(10,496)</u></u>

Ritek sold 36.38% equity of Finesil Technology to AimCore on July 1, 2019. Since the Group still has control power over Finesil Technology, the increase of interest in related with Finesil Technology, including the increase (decrease) of non-controlling interest is as follows:

The Group paid capital increase cash	\$-
Non-controlling equity increased amount	(1,219)
Difference of capital surplus recognized in equity	<u><u>\$(1,219)</u></u>

Ritek, U-tech, Aimcor, RitDisplay, Chung-Fu Investments Ltd. and Zhongchuang Technology Co., Ltd. sold 398.08% equity of Ritfast Corporation to Houju on September 26, 2019. Since the Group still has control power over Ritfast Corporation, the increase of interest in related with Ritfast Corporation, including the increase (decrease) of non-controlling interest is as follows:

The Group paid capital increase cash	\$-
Non-controlling equity decreased amount	957
Difference of capital surplus recognized in equity	<u><u>\$957</u></u>

31. Subsidiary with significant non-controlling equity

The financial information of subsidiary with significant non-controlling equity is listed as below:

Non-controlling equity held equity ratio:

<u>Subsidiary name</u>	<u>Company and operation located</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
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	region		
U-Tech	Taiwan	66.34%	66.34%
AimCore	Taiwan	75.22%	75.22%
Ritdisplay	Taiwan	44.70%	40.95%

Accumulative balance of significant non-controlling equity:

	2020.12.31	2019.12.31
U-Tech	\$1,523,131	\$1,523,998
AimCore	1,562,201	1,616,196
Ritdisplay	854,324	724,973

Profit (loss) amortized significant non-controlling equity:

	2020	2019
U-Tech	\$71,870	\$92,633
AimCore	3,940	(354,238)
Ritdisplay	91,273	16,429

The financial information summary of such subsidiary is provided as below, and this information is based on the amount before elimination between the companies (trading).

Profit and loss summary information of 2020:

	U-Tech	AimCore	Ritdisplay
Operating revenue	\$964,940	\$795,803	\$1,638,051
Current net profit of continuous operating unit	140,564	29,554	207,781
Total comprehensive profit and loss	\$98,370	\$45,565	\$198,135

Profit and loss summary information of 2019:

	U-Tech	AimCore	Ritdisplay
Operating revenue	\$1,020,063	\$500,566	\$1,672,591
Current net profit of continuous operating unit	121,074	(454,024)	53,235
Total comprehensive profit and loss	\$137,037	\$454,599	\$32,293

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Information of asset and liability summary on December 31, 2020:

	<u>U-Tech</u>	<u>AimCore</u>	<u>Ritdisplay</u>
Current asset	\$1,821,238	\$1,336,354	\$1,462,186
Non-current asset	3,664,753	1,745,809	2,181,759
Current liability	1,036,299	373,912	901,405
Non-current liability	1,830,482	486,488	748,550

Information of asset and liability summary on December 31, 2019:

	<u>U-Tech</u>	<u>AimCore</u>	<u>Ritdisplay</u>
Current asset	\$1,700,747	\$1,069,579	\$1,132,658
Non-current asset	3,749,890	1,790,400	2,389,521
Current liability	924,054	231,526	892,881
Non-current liability	1,930,773	439,167	790,249

Cash flow summary information of 2020:

	<u>U-Tech</u>	<u>AimCore</u>	<u>Ritdisplay</u>
Operating activity	\$176,411	\$73,830	\$370,441
Investing activity	(42,594)	42,978	6,173
Financing activity	(18,214)	(46,947)	(132,780)
Effects of change in exchange rate	(242)	126	-
Net increase of cash and cash equivalents	<u>\$115,361</u>	<u>\$69,987</u>	<u>\$243,834</u>

Cash flow summary information of 2019:

	<u>U-Tech</u>	<u>AimCore</u>	<u>Ritdisplay</u>
Operating activity	\$340,011	\$167,134	\$258,285
Investing activity	(484,344)	(175,552)	(70,986)
Financing activity	464,264	(147,169)	(2,055)
Effects of change in exchange rate	(5,692)	(1,948)	-
Net increase (decrease) of cash and cash equivalents	<u>\$314,239</u>	<u>\$(157,535)</u>	<u>\$185,244</u>

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32. Business merger

Subsidiary-the acquisition of JHEN JHUAN CO., LTD.

In April 2020, the Group participated in the cash capital increase of JHEN JHUAN CO., LTD. (hereinafter referred to as JHEN JHUAN Company) and the acquisition of the shares of JHEN JHUAN Company. The Group obtained a total of 3,000,000 shares, with a shareholding ratio of 31.58%, and the transaction price was NT\$75,000,000. In addition, JHEN JHUAN Company held an extraordinary shareholders meeting and re-elected directors and supervisors in the same month. The Group obtained more than half of the board seats and gained control of JHEN JHUAN Company. As the Group has control over JHEN JHUAN Company, JHEN JHUAN is included in the preparation of consolidated financial statements.

The company was founded in Taiwan and is a non-listed OTC company specializing in the production of optical glue, explosion-proof film and other professional processing and punching businesses. The reason for the Group's acquisition of JHEN JHUAN is that the company has expanded the range of products it provides to customers.

The Group chooses to measure the non-controlling interests of JHEN JHUAN Company by fair value.

The fair values of the identifiable assets and liabilities of JHEN JHUAN Company on the acquisition date are as follows:

	Fair value at the acquisition date
	<hr/>
Assets:	
Cash and cash equivalents	\$51,506
Accounts receivable	96,508
Inventory	35,997
Other current assets	8,476
Real estate, plant and equipment	118,441
Deferred tax assets	425
Other non-current assets	3,076
Subtotal	<hr/> 314,429 <hr/>
Liabilities:	
Short-term loan	\$58,708
Accounts payable	26,692

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Other current liabilities	11,405
Long term loan	86,841
Other non-current liabilities	4,000
Subtotal	187,646
Identifiable net assets	\$126,783

The amount of goodwill of JHEN JHUAN is as follows:

Acquisition consideration	\$75,000
Add: the value of non-controlling interests	86,745
Less: the fair value of identifiable net assets	(126,783)
Goodwill	\$34,962

Acquisition cash flow	
Acquisition cash transaction cost	\$75,000
Net cash obtained from subsidiaries	51,506
Net cash flow of acquisition	\$(23,494)

From the date of acquisition to December 31, 2020, JHEN JHUAN's revenue to the Group was NT\$ 261,203,000, and the net profit before tax was NT\$ 12,346,000. If the merger occurs at the beginning of the year, the Group's revenue from continuing operations in 2020 will be NT\$ 6,671,544,000, and the net loss from continuing operations will be NT\$ 798,963,000.

Subsidiary-the acquisition of Cashido Technology Co., Ltd.

At the end of May 2019, the Group acquired 31.03% equity in Cashido Technology Co., Ltd., with an investment amount of NT\$5,888,000. As the Group has been the single largest shareholder of Cashido Technology since the date of investing in the company, it is included in the consolidated statement as soon as it obtains the control.

The non-controlling interest of Cashido Technology Co., Ltd. is based on the fair value of the identifiable net assets of Cashido Technology Co., Ltd. and is measured in proportion to the proportion of non-controlling interests.

The fair values of the identifiable assets and liabilities of Cashido Technology Co., Ltd. on the acquisition date are as follows:

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	Fair value at the acquisition date
Assets:	
Cash and cash equivalents	\$150,367
Notes and accounts receivable	35,245
Inventory	21,050
Other current assets	1,946
Real estate, plant and equipment	4,416
Intangible assets	1,926
Other non-current assets	8,507
Subtotal	223,457
Liabilities:	
Short-term loan	\$7,000
Notes and accounts payable	21,604
Other payables	53,190
Other current liabilities	33,644
Subtotal	115,438
Identifiable net assets	\$108,019

The amount of goodwill of Cashido Technology Co., Ltd. is as follows:

The fair value of the original equity	\$32,730
Add: the value of non-controlling interests	75,289
Less: the fair value of identifiable net assets	(108,019)
Goodwill	\$-

Acquisition cash flow	
Net cash obtained from subsidiaries	\$150,367
Number of cash payments	-
Net cash inflow	\$150,367

From the date of acquisition to December 31, 2019, Cashido Technology Co., Ltd. generated a net profit of NT\$7,535,000 for the continuing business units of the Group. If the merger occurs at the beginning of the year, the income from the continuing operations of the Group will be NT\$7,831,656,000, and the net loss from the continuing operations will be NT\$2,568,971,000.

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Subsidiary-the acquisition of Finesil Technology Co., Ltd.

In June 2019, the Group participated in the cash capital increase of Finesil Technology Co., Ltd. and obtained 25.55% of its equity. The addition of the original shareholding increased the Group's shareholding in Finesil Technology to 61.93%, and the Group has control over it, so it is included in the consolidated statement as soon as the control is obtained.

The non-controlling interest of Finesil Technology Co., Ltd. is based on the fair value of the identifiable net assets of Finesil Technology Co., Ltd. and is measured in proportion to the proportion of non-controlling interests.

The fair values of the identifiable assets and liabilities of Finesil Technology Co., Ltd. on the acquisition date are as follows:

	Fair value at the acquisition date
Assets:	
Cash and cash equivalents	\$48,711
Notes and accounts receivable	73,798
Inventory	89,960
Other current assets	27,627
Real estate, plant and equipment	129,892
Other non-current assets	2,107
Subtotal	372,095
Liabilities:	
Short-term loan	76,278
Notes and accounts payable	19,295
Other payables	28,009
Other current liabilities	23,482
Long-term loan	116,357
Other non-current liabilities	6
Subtotal	263,427
Identifiable net assets	\$108,668

The amount of goodwill of Finesil Technology Co., Ltd. is as follows:

Acquisition consideration	\$29,896
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The fair value of the original equity	37,402
Add: the value of non-controlling interests	41,370
Less: the fair value of identifiable net assets	<u>(108,668)</u>
Goodwill	<u><u>\$-</u></u>

Acquisition cash flow	
Net cash obtained from subsidiaries	\$48,711
Number of cash payments	<u>(29,896)</u>
Net cash inflow	<u><u>\$18,815</u></u>

As of December 31, 2019, since the acquisition date, the income generated by Finesil Technology to the Group was NT\$158,086,000, and the net profit before tax was NT\$11,775,000. If the merger occurs at the beginning of the year, the revenue of the continuing business unit of the Group for 2019 will be NT\$7,927,037,000, and the net loss of the continuing business unit will be NT\$2,561,524,000.

VII. Interested party transactions

Interested party traded with the Group during the financial reporting period is as below:

Interested party name and relationship

Interested party name	Relationship with the Group
Echem Hightech Co., Ltd.	Affiliated enterprise of the Group (the shares were sold in June 2019)
Ricare Corporation	Affiliated enterprise of the Group (lost control in April 2020)
Cashido Corporation	Affiliated enterprise of the Group (obtained control in April 2020)
Luminit Automotive Technologies	Affiliated enterprise of the Group
TOGOWIN TECHNOLOGY CO., LTD.	Affiliated enterprise of the Group (obtained the equity in September 2020)
O-View Technology Co., Ltd.	The subsidiary is the director of corporate juridical person of the company
Ritek Foundation	The Chairman of RITEK is the same person with a director of the company
Han-Win Technology Co., Ltd.	The subsidiary is the director of corporate juridical person of the company

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Major transaction between the interested parties

1. Sales

	2020	2019
Affiliated enterprise of the Group		
Luminit Automotive Technologies	\$11,029	\$13,316
Other interested party		
Ritek Foundation	8,804	28,832
Han-Win Technology Co., Ltd.	450	-
Ricare Corporation	5,303	-
Total	\$25,586	\$42,148

The selling price of the Group to the interested parties is negotiated in accordance with the general market conditions; when the Group sells to the affiliated enterprises, the collection term shall be similar to the domestic customer, to receive the payment in 90 to 150 days.

2. Purchase

	2020	2019
Affiliated enterprise of the Group		
Echem Hightech Co., Ltd.	\$-	\$300
Luminit Automotive Technologies	876	1,920
Cashido Corporation	-	103
Subtotal	876	2,323
Other interested party		
O-View Technology	168	15
Total	\$1,044	\$2,338

There is no significant difference between the trading conditions of the Group's purchase of goods from affiliated enterprises and the general trading conditions. Payment terms are monthly statement 90-120 days after delivery.

3. Account receivable - interested party

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	2020.12.31	2019.12.31
Affiliated enterprise of the Group		
Luminit Automotive Technologies	\$5,455	\$5,188
Ricare Corporation	840	-
TOGOWIN TECHNOLOGY CO., LTD.	202	-
Subtotal	6,497	5,188
Other interested party		
Ritek Foundation	-	2,070
Han-Win Technology Co., Ltd.	669	-
Less: Reserve for loss	-	-
Net amount	\$7,166	\$7,258

4. Other receivable - interested party (other current assets listed in account)

	2020.12.31	2019.12.31
Affiliated enterprise of the Group		
Luminit Automotive Technologies	\$706	\$23
Ricare Corporation	582	-
Subtotal	1,288	23
Other interested party		
Ritek Foundation	-	185
Total	\$1,288	\$208

5. Notes payable - interested party

	2020.12.31	2019.12.31
Affiliated enterprise of the Group		
O-View Technology	\$863	\$899

6. Account payable - interested party

	2020.12.31	2019.12.31
Affiliated enterprise of the Group		
Ricare Corporation	\$185	\$-
Cashido Corporation	11	-
Total	\$196	\$-

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7. Lease—related parties

Rental expense

	2020.12.31	2019.12.31
Affiliated enterprise of the Group		
Ricare Corporation	\$413	\$-
	\$413	\$-

Rental income

	2019	2018
Other interested party		
Luminit Automotive Technologies	\$537	\$-
Ricare Corporation	837	-
Subtotal	1,374	-
Other interested party		
Ritek Foundation	-	372
Total	\$1,374	\$372

The term of lease and ways of collecting rent are based on the contract. In general the term of lease is from two to five years and the payment is collected monthly.

8. Reward to main management personnel of the Group

	2120	2019
Short-term staff welfare	\$52,869	\$52,124
Benefit after retirement	1,014	821
Total	\$53,883	\$52,945

VIII. Pledged asset

The Group has the following asset as the pledge:

	Book amount		
Item	2020.12.31	2019.12.31	Secured liability

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Item	Book amount		Secured liability
	2020.12.31	2019.12.31	
Financial assets measured at fair value through other comprehensive profit or loss	\$91,371	\$74,884	Bank loan
Account receivable	186,404	185,574	Bank loan
Financial assets measured at amortized cost	279,555	282,270	Bank loan, bond, lease and performance bond
Property, plant and equipment	6,809,981	7,404,891	Short-term notes and bills payable, bank loan and performance bond
Investment property	299,331	267,819	Bank loan
Finance lease receivables	46,488	48,609	Bank loan and performance bond
Right-of-use asset	11,608	12,833	Bank loan
Total	<u>\$7,724,739</u>	<u>\$8,276,880</u>	

In addition, the Group provides part of the held stock of subsidiary U-Tech, AimCore and Prorit on December 31, 2020 and December 31, 2019 for bank loan guarantee.

IX. Material contingent liabilities and unrecognized contractual commitments

- The Group issued letter of credit for imported raw material and machinery equipment but not used yet:

Currency	Amount
US dollar	\$410
Japanese yen	860
New Taiwan dollar	2,509

Unit: 1,000 dollars

- The guarantee notes issued by the Group for the purchase of machinery equipment, long-term loans, credit loans for raw materials, lawsuits and issuance of commercial promissory notes are respectively NT\$ 2,165,996,000 and US\$ 1,260,000. In

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addition, the Company will collect NT\$ 924,082,000 of guaranteed notes from the manufacturers who purchase goods from the Company and provide labor services to the Company.

3. The guarantee amount by banks to the Group for the loan, imported raw material and national tax bookkeeping is totally NT\$ 23,500,000.

4. The Group has entered into the following contracts for the purchase of fixed assets:

	Unit: 1,000 dollars					
	Total contract price		Paid amount		Unpaid amount	
Prepayments for equipment	NT\$	\$83,081	NT\$	\$55,766	NT\$	\$27,315
Prepayments for equipment	GBP	6,202	GBP	6202	GBP	-
Prepayments for equipment	USD	68,875	USD	34,437	USD	34,438

5. The Company has entered into the license agreement with SANDISC, PIONEER, PANASONIC, ONE BLUE and JVC for the disc and memory card related products, and agreed to pay the royalties to each company based on the sales volume of related products during the validity period of the contract of 5 to 10 years.

6. The premium contracts signed by the subsidiary U-Tech to produce CD-Audio, VIDEO CD DISC and DVD DISCS are listed as below:

Object	Item	Contract period	Premium calculation method
Company A	CD and DVD DISCS technology cooperation	Since 2007.08.01	Sale quantity of products sold in the specifications set forth in the contract
Company B	DVD DISCS technology licensing	2001.06.01-2022.12.31	Sale quantity of products sold in the specifications set forth in the contract
Company C	DVD DISCS technology licensing	2004.07.01-2029.10.01	Sale quantity of products sold in the specifications set forth in the contract
Company D	BD VIDEO DISCS technology licensing	2012.12.01-2022.11.30	Sale quantity of products sold in the specifications set forth in the contract
Company E	BD VIDEO DISCS technology licensing	2011.01.01-2022.12.31	Sale quantity of products sold in the specifications set forth in the contract

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7. The premium contracts signed by subsidiary Ritdisplay to produce the organic light emitting diode (OLED) product are listed as below:

Object	Item	Expiring date	Premium calculation method
Company A	Organic light emitting diode (OLED)	December 2023	Certain proportion of product sales volume
Company B	Organic light emitting diode (OLED)	March 2021	Rated premium

8. The amount guaranteed by the bank due to the import of raw materials by the Group is listed below:

	109.12.31
Imported raw materials guarantee	\$3,000

X. Major disaster losses

None

XI. Major subsequent matters

None

XII. Miscellaneous

1. Types of Financial Instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at fair value through profit or loss:		
Force to measure at fair value through profit or	\$448,877	\$322,584

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	2020.12.31	2019.12.31
loss		
Financial assets measured at fair value through other comprehensive profit or loss	381,099	532,585
Financial assets measured at amortized cost:		
Cash and cash equivalent (excluding the cash on hand)	4,182,249	4,039,723
Bill receivable	279,555	282,270
Account receivable (including interested party)	26,581	28,905
Other account receivable (including the interested party)	1,138,781	1,127,871
Finance lease receivables	86,228	52,582
Subtotal	46,489	48,608
Total	<u>5,759,883</u>	<u>5,579,959</u>
	<u>\$6,589,859</u>	<u>\$6,435,128</u>

Financial liabilities

	2019.12.31	2018.12.31
Financial liabilities measured at amortized cost:		
Financial liabilities held for trading	\$385	\$11,845
Financial assets measured at amortized cost:		
Short-term borrowing (including the short-term notes and bills payable)	1,684,748	1,823,650
Corporate bonds payable (including due within one year)	327,030	-
Notes payable and accounts payable (including the interested party)	672,758	709,127
Other payables	647,196	631,227
Long-term loan (including due within one year)	5,293,406	5,986,466
Lease liabilities	242,571	235,887
Subtotal	<u>8,867,709</u>	<u>9,386,357</u>
Total	<u>\$8,868,094</u>	<u>\$9,398,202</u>

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2. Financial risk management objectives and policies

The Group's financial risk management objectives are mainly to manage the market risks, credit risks and liquidity risks related to its operating activities. The Group shall identify, measure and manage the aforementioned risks according to the group policies and risk preferences.

The Group has established appropriate policies, procedures and internal controls for the foregoing financial risk management in accordance with the relevant regulations, and the important financial activities shall be subject to be reviewed by the board of directors in accordance with relevant regulations and internal control system. During the implementation of the financial management activities, the Group shall indeed comply with relevant regulations for financial risk management.

3. Market risk

The market risk of the Group is Financial Instruments' fair value or cash flow volatility risk caused by market price changes. Market risks mainly include the exchange rate risk, interest rate risk and other price risks (such as the equity Instruments).

In practice, it is rare for the single risk variable to change independently, and the changes of each risk variable are usually correlated. However, the following risk sensitivity analysis does not consider the interaction effect of related risk variables.

Exchange rate risk

The exchange rate risk of the Group is mainly related to its operating activities (when the currency used for revenue or expense is different from the functional currency of the Group) and the net investment of foreign operating institutes.

Partial currency types of foreign currency receivable and foreign currency payable of the Group are the same; at this time, the considerable part shall produce the natural hedge effect; for part of the foreign currency amount, the forward foreign exchange contracts are used to manage the exchange rate risk;

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since the natural risk aversion and exchange rate risk management by forward foreign exchange contracts does not conform to the stipulations of the hedge accounting, so the hedge accounting is not adopted; in addition, the net investment of foreign operating institutes is the strategic investment, so the Group did not hedge against it.

The sensitivity analysis of the Group's exchange rate risk mainly focuses on the major foreign currency monetary items on the ending day of the financial reporting period, and its related foreign currency appreciation/depreciation will affect the Group's profit or loss and equity. The Group's exchange rate risk is mainly affected by the exchange rate fluctuations of USD, JPY and EUR, and the sensitivity analysis information is as follows:

- (1) When NT\$ vs. USD appreciates/depreciates by 1%, the profit or loss of the Group in 2020 and 2019 will decrease/increase by NT\$ 57,780,000 and NT\$ 57,003,000 respectively.
- (2) When NT\$ vs. JPY appreciates/depreciates by 1%, the profit or loss of the Group in 2020 and 2019 will increase/decrease by NT\$ 1,314,000 and NT\$ 1,155,000 respectively.
- (3) When NT\$ vs. EUR appreciates/depreciates by 1%, the profit or loss of the Group in 2020 and 2019 will decrease/increase by NT\$ 3,348,000 and NT\$ 3,415,000 respectively.

Interest rate risk

Interest rate risk refers to the fluctuation risk of Financial Instruments' fair value or future cash flows due to the market interest rate change, and the Group's interest rate risk mainly comes from the variable rate investment classified to loans and receivables, fixed rate borrowing, and variable rate borrowing.

The Group manages the interest rate risk by maintaining appropriate combination of fixed and floating interest rates, supplemented by the interest rate swap contract; however, it does not apply the hedge accounting since it does not comply with the hedge accounting requirements.

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The sensitivity analysis related to interest rate risk focuses on the critical risk item at the ending day of financial reporting period, including the floating interest rate investment, floating interest rate loan and interest rate swap contract, and assumes to hold for one fiscal year; when the interest rates increase/decrease ten basis points, the profit or loss of the Group in 2020 and 2019 will reduce/increase NT\$ 6,699,000 and NT\$ 7,528,000.

Equity price risk

The Group holds the listed and unlisted equity securities, whose fair value will be affected by uncertainty of future value of such investment target. The Group held listed and unlisted equity securities are respectively contained in the category of held for trading and available for sale. The Group manages the price risk of equity securities through the diversification in the investment and setting limit for investment for single and whole equity securities. The investment portfolio information of equity securities shall be regularly provided to the management of the Group, and the board of directors shall review and approve all investment decisions of equity securities.

For the listed equity security forced to measure at fair value through profit or loss, when the price of such equity securities increase/decrease by 1%, the profit or loss of the Group will increase/decrease by NT\$ 4,489,000 and NT\$ 3,107,000 respectively in 2020 and 2019.

For the listed company stock in equity instrument investment measured at fair value through other comprehensive profit or loss, when the price of these equity securities increases/decreases by 1%, the impact on the equity of the Group in 2020 and 2019 is NT\$ 1,398,000 and NT\$ 1,346,000.

Please refer to Note XII. 9 for sensitivity analysis information of other equity instruments or derivative instruments linked to equity instruments at fair value Level 3.

4. Credit risk management

Credit risk refers to the risk of financial loss arising from the failure of counterparty to perform its obligations under the contract. The Group's credit risk

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is caused by its operating activities (mainly the accounts receivable and bills) and financial activities (mainly the bank deposits and various financial instruments).

The Group's each unit manages the credit risk following the policies, procedures and control of credit risk. All of the counterparty credit risk evaluation system considers the counterparty's financial situation, rating agencies rating, past history and trading experience, current economic environment and the Group's internal rating standards and other factors. The Group also uses certain credit enhancement tools in the right time (such as the advance payment and insurance, etc.), in order to reduce the specific counterparty credit risk.

Up to December 31, 2020 and December 31, 2019, the top ten customer accounts receivable occupy 38% and 39% of the Group's accounts receivable balance respectively, and the credit concentrated risk of the rest accounts receivable is relatively insignificant.

The accounting department of the Group manages the credit risks of bank deposits, fixed income securities and other financial instruments in accordance with the Group policy. As the trading objects of the Group are determined by the internal control procedures and are the banks with good credit and financial institutions of high investment grade, corporate organizations and government agencies, which have no significant performance doubt, so there are no significant credit risks.

The Group adopts IFRS 9 to evaluate the expected credit loss. Except for loss allowance of accounts receivable measured at lifetime expected credit loss in, all remaining investments in debt instruments not measured at fair value through profit and loss shall be in premise of low credit risk when it was purchased and the methods of measuring loss allowance and loss rate will be determined by if the credit risk is increased significantly after the initial recognition valued on each balance sheet date.

Meanwhile, the Group will write off the financial asset when it is reasonably anticipated unrecoverable (e.g. serious financial difficulty of the issuer or debtor, or is already bankrupt)

The Group will dispose investment on debt instrument with increasing credit risks as appropriate to reduce credit loss. When IFRS 9 is adopted to evaluate credit loss, the forward looking information (available without excess costs or

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contribution) shall include macroeconomic and industrial information and the loss rate will be further adjusted when the forward-looking information may result in material effects.

5. Liquidity risk management

The Group maintains the financial flexibility through the cash and cash equivalent, liquid securities and bank loan contract. The table below is the summary of the Group's financial liability contract stated payment due, which is prepared according to the earliest date that may be required to pay and based on its undiscounted cash flow; the amount listed also includes the contract interest. To pay the interest cash flow at the floating interest rate, the amount of undiscounted interest is derived from the interest rate curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
2020.12.31					
Loan	3,685,849	2,279,638	627,081	394,961	6,987,529
Short-term notes payable	44,951	-	-	-	44,951
Account payable	1,319,754	-	-	-	1,319,754
Convertible corporate bonds	349,900				349,900
Lease liabilities	22,237	41,248	40,676	138,961	243,122
2019.12.31					
Loan	\$3,038,985	\$3,492,072	\$980,088	\$452,848	\$7,963,993
Short-term notes payable	79,200	-	-	-	79,200
Account payable	1,340,354	-	-	-	1,340,354
Lease liabilities	31,115	46,145	40,394	147,853	265,507

Derivative financial liabilities

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	Less than one year	Two to three years	Four to five years	More than five years	Total
2020.12.31					
Total settlement Stock					
Inflow	\$-	\$385	\$-	\$-	\$385
Outflow	-	-	-	-	-
Net amount	<u>\$-</u>	<u>\$385</u>	<u>\$-</u>	<u>\$-</u>	<u>\$385</u>

	Less than one year	Two to three years	Four to five years	More than five years	Total
2019.12.31					
Total settlement Stock					
Inflow	\$11,845	\$-	\$-	\$-	\$11,845
Outflow	(10,883)	-	-	-	(10,883)
Net amount	<u>\$962</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$962</u>

6. Liability adjustment from financing activity

2020 liability adjustment information:

	Short-term borrowing	Short-term notes and bills payable	Long-term loan (including due within one year)	Other non- current liability	Lease liabilities	Total liability from financing activity
2020.1.1	\$1,744,767	\$78,883	\$5,986,466	\$63,045	\$-	\$235,887
Cash flow	(163,678)	(33,932)	(779,901)	3,476	323,802	(32,431)
Non-cash flow	58,708	-	86,841	4,000	3,228	39,115
fluctuations in exchange	-	-	-	-	-	-
2020.12.31	<u>\$1,639,797</u>	<u>\$44,951</u>	<u>\$5,293,406</u>	<u>\$70,521</u>	<u>\$327,030</u>	<u>\$242,571</u>

2019 liability adjustment information:

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	Short-term borrowing	Short-term notes and bills payable	Long-term loan (including due within one year)	Other non- current liability	Lease liabilities	Total liability from financing activity
2019.1.1	\$2,119,882	\$250,979	\$5,833,972	\$55,484	\$239,044	\$8,499,361
Acquiring through business merger	83,278	-	116,357	6	-	199,641
Cash flow	(458,393)	(172,096)	36,137	7,555	(16,853)	(603,650)
Non-cash flow	-	-	-	-	13,826	13,826
fluctuations in exchange	-	-	-	-	(130)	(130)
2019.12.31	<u>\$1,744,767</u>	<u>\$78,883</u>	<u>\$5,986,466</u>	<u>\$63,045</u>	<u>\$235,887</u>	<u>\$8,109,048</u>

7. Fair value of Financial Instruments

(1) Techniques and assumptions used to evaluate the fair value

Fair value means the price that market participants collect by selling the assets or are required to pay for the transfer of liabilities in the orderly transaction on the measurement day. The methods and assumptions used by the Group to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- A. Book amount of cash and cash equivalent, accounts receivable, accounts payable and other current liabilities is the reasonable approximate value of fair value, which is mainly because this kind of instruments have short maturity period.
- B. The fair value of financial assets and financial liabilities traded in active markets with standard terms and conditions shall be determined by reference to the market quotation.
- C. The equity instrument without active market shall be measured by the amount after deducting the impairment loss from the cost, because there is no public quotation in active market and the fair value cannot be measured reliably.

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D. For the debt instruments investment, bank borrowings and other non-current liabilities without active market, the fair value is determined by counterparty quotation or evaluation technology; the evaluation technique is based on the cash flow discount analysis, and the interest rate and discount rate assumptions are mainly based on the information of similar tools.

E. The fair value of derivative financial instruments without active market quotation, including non-option derivative financial instruments, are calculated with the cash flow discount analysis based on counterparty quotation or interest rate curve applicable for the existence period; for the option derivative financial instruments, the fair value is calculated by counterparty quotation, appropriate option pricing model or other evaluation methods.

(2) Fair value of Financial Instruments measured at amortized cost

Except for those listed in the table below, the carrying amounts of some of the Group's financial assets and financial liabilities measured at amortized cost approach their fair value:

	Carrying amount		Fair value	
	109.12.31	108.12.31	109.12.31	108.12.31
Financial liabilities:				
Company debt payable	\$327,030	\$-	\$335,659	\$-

(3) Fair value information of Financial Instruments

The fair value information of Financial Instruments of the Group shall refer to Note XII. 9.

8. Derivative financial instruments

As of December 31, 2020, the Group has the following information about derivative financial instruments that are not eligible for hedging accounting.

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Embedded derivatives

The embedded derivatives identified by the Group as a result of the issuance and conversion of corporate bonds have been separated from the main contract and treated in a way that is measured at fair value through profit and loss. For contract information about this transaction, please refer to 18 of Note VI.

As of December 31, 2019, the derivatives held for trading by the Group were securities lending transactions.

9. Fair value level

(1) Fair value level definition

All assets and liabilities measured or disclosed at fair value are classified into their fair value levels according to the lowest input value of importance to the overall fair value. Input values of each level are as follows:

Level 1: able to acquire the same assets or liabilities on the measurement day in the active market (unadjusted).

Level 2: directly or indirectly observable input values of assets or liabilities, except those included in Level 1.

Level 3: input values of assets or liabilities not observable.

The classification of assets and liabilities recognized on repeatable basis in the financial statements is reassessed on the end of each reporting period to determine whether the fair value level transfer occurs.

(2) Fair value measurement level information

The Group does not have the assets that are not repeatable as measured by fair value. The fair value level information of repeatable assets and liabilities is listed as follows:

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December 31, 2020:

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Measured at fair value through profit or loss				
Financial assets				
Stock	\$264,180	\$22,563	\$-	\$286,743
Fund	162,134	-	-	162,134
Measured at fair value through other comprehensive profit or loss				
Equity instrument measured at fair value through other comprehensive profit or loss	136,966	-	244,133	381,099

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Measured at fair value through profit or loss				
Financial assets				
Stock	\$137,275	\$22,563	\$-	\$159,838
Fund	162,746	-	-	162,746
Measured at fair value through other comprehensive profit or loss				
Equity instrument measured at fair value through other comprehensive profit or loss	132,820	-	399,765	532,585

Transfer between the first and second levels of the fair value hierarchy

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Between 2019 and 2020, the Group's assets and liabilities measured by repetitive fair value were not transferred between the first and second tiers of the fair value hierarchy.

Details of changes in Level 3 of repeatable fair value hierarchy

Where the assets and liabilities measured by the Group 's repeated fair value are at Level 3 of the fair value hierarchy, the adjustment of the balance from the beginning to the end of the period is listed as follows:

	Measured at fair value through other comprehensive profit or loss
	Stock
January 1, 2020	\$399,765
Total profit (loss) recognized in 2020	
Recognized as other comprehensive profit or loss (recognized as “unrealized evaluated profit or loss in equity instrument investment at fair value through other comprehensive profit or loss”)	(128,833)
2020 acquisition/issuance	1,400
2020 disposal/liquidation	(4,432)
2020 returned stock for capital reduction	(23,767)
Transfer-in (transfer-out) to Level 3	-
December 31, 2020	\$244,133
	Measured at fair value through other comprehensive profit or loss
	Stock
January 1, 2019	\$240,050
Total profit (loss) recognized in 2019	
Recognized as other comprehensive profit or loss (recognized as “unrealized evaluated profit or loss in equity instrument investment at fair value through other comprehensive profit or loss”)	25,544
2019 acquisition/issuance	175,021

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	Measured at fair value through other comprehensive profit or loss
	Stock
2019 disposal/liquidation	-
Returned stock for capital reduction	(40,850)
Transfer-in (transfer-out) to Level 3	-
December 31, 2019	\$399,765

In the above total profit (loss) recognized in the profit or loss, the loss related to the held asset as of 2020 and 2019 is respectively NT\$ (129,568,000) and NT\$ 25,544,000.

Significant unobservable input information at Level 3 of the fair value hierarchy

The significant unobservable input values of the assets measured by Level 3 of the Group's fair value hierarchy as measured by the repeatable fair value are listed in the following table:

December 31, 2020:

	Assessment technique	Major unobservable input value	Quantized information	Relationship between input value and fair value	Sensitivity analysis value relationship between input value and fair value
Financial assets: Financial assets measured at fair value through other comprehensive profit and loss					
Stock	Market method	Lack of liquidity discount	30%	The higher the degree of illiquidity is, the lower the fair value estimates	When the percentage of lack of fluidity increases (decreases) 1%, the equity to the Group shall decrease / increase NT\$ 2,441,000
Stock	May simulate	Stock price net	1.344	The higher the	When the multiplier

RITEK CORPORATION and Subsidiaries

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the listing of OTC company law (Stock price net value method)	value parameter	multiplier, the higher the fair value	increases (decreases) by 10%, the equity of the Group will increase/decrease NT\$2,810,000
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Financial liabilities:

Measured at fair value through profit and loss

Measured at fair value through profit and loss	Binary tree convertible bond evaluation model	Volatility	49.35%	The higher the volatility, the higher the fair value estimate	When the volatility increases (decreases) by 1%, the profit and loss to the Group will decrease by NT\$ 0.
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December 31, 2019:

	Assessment technique	Major unobservable input value	Quantized information	Relationship between input value and fair value	Sensitivity analysis value relationship between input value and fair value
Financial assets: Financial assets measured at fair value through other comprehensive profit and loss Stock	Market method	Lack of liquidity discount	30%	The higher the degree of illiquidity is, the lower the fair value estimates	When the percentage of lack of fluidity increases (decreases) 1%, the equity to the Group shall decrease / increase NT\$ 3,998,000
Stock	Income approach	Discount rate	10%	The higher the discount rate, the lower the fair value	When the discount rate increases (decreases) 10%, the equity of the group will decrease/increase

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NT\$573,000

Evaluation process of Level 3 fair value measurement

Investment department of the Group is responsible for the fair value verification, through the independent source data to make the evaluation results close to the market status, confirm the data source is independent, reliable, consistent with other resources, and on behalf of the executable prices, and make the analysis for value changes of assets and liabilities in the remeasurement or reassessment according to the Group accounting policies on every reporting day, to ensure that the evaluation result is reasonable.

- (3) Fair value hierarchy information not measured at fair value but necessary to be exposed

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Asset only disclosing the fair value:				
Investment property (refer to Note VI.11)	\$-	\$-	\$958,545	\$958,545

December 31, 2019:

	Level 1	Level 2	Level 3	Total
Asset only disclosing the fair value:				
Investment property (refer to Note VI.11)	\$-	\$-	\$958,545	\$958,545

10. Information of foreign currency financial assets and liability of the Group with significant influence:

2020.12.31	2019.12.31
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	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial asset</u>						
Monetary item:						
USD	\$109,018	28.0490	3,057,846	\$137,589	29.9560	\$4,121,616
JPY	632,146	0.2707	171,122	648,014	0.2747	178,009
EUR	4,057	34.3400	139,317	10,249	33.4400	342,727
Non-monetary item:						
USD	180	28.100	5,071	242	30.0400	7,264
<u>Financial liability</u>						
Monetary item:						
USD	35,202	28.1490	990,901	39,066	30.1160	1,176,512
JPY	144,507	0.2747	39,696	224,294	0.2790	62,511
EUR	4,975	34.7400	172,832	36	33.8400	1,218

Due to the variety of the Group's functional currencies, it is not possible to disclose the exchange profits and losses of monetary financial assets and financial liabilities according to the foreign currency of each significant impact. The foreign currency exchange profit (loss) of the Group in 2020 and 2019 were NT\$ (171,187,000) and NT\$ (70,499,000) respectively.

The above information is disclosed on the basis of foreign currency book amount (converted to functional currency).

11. Capital management

The primary objective of the capital management of the Group is to maintain the sound credit rating and good capital ratio, to support the operation of the Group and the maximization of shareholders' equity. The Group manages and adjusts its capital structure according to the economic situation, and may achieve the purpose of maintaining and adjusting its capital structure by adjusting the dividend payments, returned capital or new shares issuing.

XII. Note disclosures

1. Relevant information of major transactions

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- (1) Fund loan and others: refer to Schedule 1.
- (2) Endorsement for others: refer to Schedule 2.
- (3) Held the negotiable security at the end of the period: refer to Schedule 3.
- (4) Accumulated buying or selling of same negotiable security reaching NT\$ 300 million or more than 20% of paid-in capital: None
- (5) Acquired property amount reaching NT\$ 300 million or more than 20% of paid-in capital: None
- (6) Disposed property amount reaching NT\$ 300 million or more than 20% of paid-in capital: None
- (7) Amount of purchase and sale with interested party reaching NT\$ 100 million or more than 20% of paid-in capital: None
- (8) Amount receivable of interested party reaching NT\$ 100 million or more than 20% of paid-in capital: refer to Schedule 5.
- (9) Engaging in derivative instrument transaction: refer to Note XII.
- (10) Others: business relation and important transaction condition and amount between the parent company and subsidiary as well as between the subsidiaries: refer to Schedule 8.

2. Investee related information:

The information regarding investees not in Mainland China over which the Company exercises significant influence, control or control via joint venture directly or indirectly: refer to Schedule 6

3. Mainland China investment information: refer to Schedule 7.

XIV. Department information

RITEK CORPORATION and Subsidiaries
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For the purpose of management, the Group mainly divides the operating units based on the geographical differentiation and business division. After the quantitative threshold test, the Group has the following two reporting operating departments:

Storage media department: engaging in the manufacturing, processing and sales of CD and memory cards.

Organic light emitting diode department: engaging in the manufacturing, processing and trading of OLED.

Other departments: engaging in the import and export trading business and other businesses transferred to investment.

The management level is the operating result of individual supervised business unit, for the decision making of resource allocation and performance evaluation. Department performance is evaluated according to the pre-tax profit and loss, and the accounting policies of reporting department are the same with the important accounting policy summary of the Group. However, the income tax of consolidated financial statements is managed on the basis of the Group, and is not amortized to the operating department.

Transfer pricing between the operating departments is based on the routine transactions similar to those with external third party.

1. Information of reporting department profit and loss, asset and liability

2020

	Storage media department	OLED department	Reporting department subtotal	Other department	Adjustment and elimination	The Group total
Revenue						
Revenue from external customer	\$3,918,123	\$1,636,573	\$5,554,696	\$1,023,513	\$-	\$6,578,209
Revenue between departments	2,369,065	1,478	2,370,543	68,659	(2,439,202)	-
Total revenues	6,287,188	1,638,051	7,925,239	1,092,172	(2,439,202)	6,578,209
Department loss (profit)	\$528,489	\$(212,652)	\$315,837	\$324,272	\$161,618	\$801,727

2019

	Storage media department	OLED department	Reporting department subtotal	Other department	Adjustment and elimination	The Group total
Revenue						
Revenue from external customer	\$5,303,724	\$1,671,970	\$6,975,694	\$803,429	\$-	\$7,779,123
Revenue between departments	3,231,577	621	3,232,198	199,684	(3,431,882)	-
Total revenues	8,535,301	1,672,591	10,207,892	1,003,113	(3,431,882)	7,779,123
Department loss (profit)	\$(1,503,044)	\$48,489	\$(1,454,555)	\$(970,194)	\$(146,733)	\$(2,571,482)

The incomes among departments are eliminated for consolidation and are presented in “adjustment and elimination). The details of all other adjustments and eliminations will be disclosed below.

Following table shows information regarding assets and liabilities of operating departments of the Group as of December 31,

RITEK CORPORATION and Subsidiaries

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(Unless otherwise stated, the amount unit shall be in NT\$ 1,000)

2020 and 2019.

Assets of operating department

	Storage media department	OLED department	Reporting department subtotal	Other department	Adjustment and elimination	The Group total
2020.12.31 department assets	\$12,585,370	\$3,643,945	\$16,229,315	\$4,227,768	\$(905,414)	\$19,551,669
2019.12.31 department assets	\$14,742,118	\$3,522,179	\$18,264,297	\$4,869,485	\$(2,178,392)	\$20,955,390

Liabilities of operating department

	Storage media department	OLED department	Reporting department subtotal	Other department	Adjustment and elimination	The Group total
2020.12.31 department liabilities	\$7,496,119	\$1,649,955	\$9,146,074	\$1,282,612	\$(1,164,963)	\$9,263,723
2019.12.31 department liabilities	\$9,656,571	\$1,683,130	\$11,339,701	\$1,142,759	\$(2,695,321)	\$9,787,139

2. Adjustments of reporting department revenue, profit and loss, asset, liability and other significant items

(1) Revenue

	<u>2020</u>	<u>2019</u>
Total reporting department revenues	\$7,925,239	\$10,207,892
Other department revenue	1,092,172	960,251
Eliminated department revenue	<u>(2,439,202)</u>	<u>(3,389,020)</u>
The Group revenue	<u><u>\$6,578,209</u></u>	<u><u>\$7,779,123</u></u>

(2) Profit and loss

	<u>2020</u>	<u>2019</u>
Total reporting department losses	\$(245,636)	\$(1,354,878)
Other department loss	(322,501)	(968,590)
Reduced department profit	<u>161,618</u>	<u>146,733</u>
Net loss before tax of continuous operating unit	<u><u>\$(729,755)</u></u>	<u><u>\$(2,470,201)</u></u>

(3) Asset

	<u>2019.12.31</u>	<u>2018.12.31</u>
Total reporting department assets	\$16,229,315	\$18,264,297
Other department asset	4,227,768	4,869,485
Eliminated department account receivable	<u>(905,414)</u>	<u>(2,178,392)</u>
The Group department asset	<u><u>\$19,551,669</u></u>	<u><u>\$20,955,390</u></u>

(4) Liability

	<u>2020.12.31</u>	<u>2019.12.31</u>
Total reporting department liabilities	\$9,146,074	\$11,339,701
Other department liability	1,282,612	1,142,759
Eliminated department account payable	<u>(1,164,963)</u>	<u>(2,695,321)</u>
The Group department liability	<u><u>\$9,263,723</u></u>	<u><u>\$9,787,139</u></u>

(5) Other significant items

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(Unless otherwise stated, the amount unit shall be in NT\$ 1,000)

2020

	Reporting department total	Other department	Adjustment	The Group total
Interest revenue	\$32,357	\$7,707	\$(19,109)	\$20,955
Interest expense	156,383	19,421	(18,998)	156,806
Capital expense of non-current asset	198,677	121,840	(1,694)	318,823
Depreciation, amortization and other losses	650,084	373,048	(9,964)	1,013,168
Asset impairment	8,346	-	-	8,346

2019

	Reporting department total	Other department	Adjustment	The Group total
Interest revenue	\$46,582	\$11,998	\$(14,004)	\$44,576
Interest expense	172,084	20,491	(13,176)	179,399
Capital expense of non-current asset	600,279	37,037	-	637,316
Depreciation, amortization and other losses	1,239,747	515,410	24,596	1,779,753
Asset impairment (profit recovered)	761,606	600,581	-	1,362,187

The adjustment item of capital expense of non-current asset is generated by the building of the general administration office of the Group, and is not included in the information of the department. Other adjustments are not significant.

3. Region classification information

Revenue from external customer:

	2020	2019
Taiwan	\$2,300,010	\$2,244,330

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(Unless otherwise stated, the amount unit shall be in NT\$ 1,000)

Asia	3,195,600	3,916,434
America	495,025	795,957
Europe	391,549	500,359
Africa	159,898	257,850
Oceania	17,016	14,177
Other regions	19,111	50,016
Total	<u>\$6,578,209</u>	<u>\$7,779,123</u>

The revenue is classified based on the customer located region.

Non-current asset:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Taiwan	\$9,426,275	\$9,655,059
Asia	2,019,200	2,704,366
Europe	1,587	8,815
America	431,765	457,006
Total	<u>\$11,878,827</u>	<u>\$12,825,246</u>

4. Important customer information

There is no sales amount of single customer of the Group in 2020 and 2019 reaching 10% of net amount of operating revenue, thus there is nothing to disclose.

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 1: Financings Provided

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the year	Ending Balance Approved by the Board of Directors	Actual Amount Drawn Down Ending Balance	Interest Rate Range	Nature of Financing Provided (Note 1)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Counter-party	Limit on Financier's Total Financing
													Name	Value		
0	RITEK Technology	PVNEXT Corporation	Long-term receivables	Yes	\$111,000	\$85,300	\$85,300	2.580%	2	\$-	Working capital	\$-	None	\$602,433 (Note2)	\$1,204,867 (Note2)	
0	RITEK Technology	RME	Long-term receivables	Yes	70,875	-	-	-	2	-	Working capital	-	None	"	"	
0	RITEK Technology	RYC	Long-term receivables	Yes	452,445	-	-	-	2	-	Working capital	-	None	"	"	
2	Zhongyuan International Venture Capital Co., Ltd	PVNEXT Corporation	Long-term receivables	Yes	80,000	80,000	80,000	2.580%	2	-	Working capital	-	None	93,056 (Note3)	93,056 (Note3)	
3	Zhongfu Investment	PVNEXT Corporation	Long-term receivables	Yes	40,000	40,000	40,000	2.580%	2	-	Working capital	-	None	52,262 (Note3)	52,262 (Note3)	

Note 1: As for Nature of Financing Provided, 1 refers to business transaction and 2 refers to short-term financing.

Note 2: The maximum financial limit is not more than 20% of the net value of the Company, and the financial limit for each counter-party is not more than 10% of the net value of the Company.

Note 3: The maximum financial limit is not more than 20% of the net value of counter-party, and the financial limit for each borrowing company is not more than 20% of the counter-party company.

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 2: Collaterals/Guarantee Provided

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/Guarantee Amounts (Note)	Maximum balance accumulated up to the end of this month	Ending Balance	Actual Amount Drawn Down	Amount of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement (%)	Maximum Collateral/Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in China
		Name	Relationship (Note 2)										
0	RITEK Technology	Zhongyuan Venture Capital	2	\$1,807,300	\$150,000	\$50,000	\$50,000	\$50,000	0.83	\$3,012,167	Y		
0	"	Zhongfu Investment	2	"	100,000	50,000	50,000	50,000	0.83	"	Y		
0	"	Bolai Technology Co., Ltd.	2	"	300,000	50,000	-	-	0.83	"	Y		
0	"	RVC	2	"	334,809	176,709	74,223	-	2.93	"	Y		
0	"	Laiyang Technology Co., RITEK	2	"	532,600	239,600	194,636	-	3.98	"	Y		
1	Hutek Corporation	Technology	2	205,555	225,000	170,000	170,000	-	24.81	342,592		Y	
2	U-tech Technology Co., Ltd.	Dollars cultural and creative industry company	2	345,893	90,000	40,000	-	-	1.73	691,787	Y		
3	HouJu Energy Development Co., Ltd.	Yuan-Yu Solar Energy Co., Ltd.	5	212,797	50,000	50,000	-	-	4.70	478,794			
4	AimCore Technology Co., Ltd.	Finesil Technology Co.,	2	624,439	186,500	186,500	186,499	-	8.96	1,040,732	Y		

Note 1: Based on "Company Operating Procedures of Endorsement and Guarantee", the total amount of guarantee provided is 50% of the current net value. For each company, the total amount of guarantee provided is 30% of the current net value. The endorsement/guarantee amount of Hutek Co., Ltd. shall not exceed 50% of current net worth of Hutek Co., Ltd. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 30% of current net worth of Hutek Co., Ltd. The endorsement/guarantee amount of U-tech Technology Co., Ltd. shall not exceed 30% of current net worth of U-tech. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 15% of current net worth of U-tech. The endorsement/guarantee amount of HouJu Energy Development Co., Ltd. shall not exceed 45% of current net worth of HouJu Energy Development Co., Ltd. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 30% of current net worth of HouJu Energy Development Co., Ltd. The endorsement/guarantee amount of AimCore Technology Co., Ltd. shall not exceed 50% of current net worth of U-tech. Among them, the endorsement/guarantee limit to single enterprise shall not exceed 30% of current net worth of U-tech.

Note 2: The relationship between the collaterals/guarantee provider and the counter-party is as follows:

- (1)The company with business transaction
- (2)The company owns directly or indirectly over 50% ownership of the investee company.
- (3)The investee company owns directly or indirectly over 50% ownership of the Company.
- (4)The Company owns directly or indirectly over 90% ownership of the investee company.
- (5)Companies that guarantee each other in accordance with the provisions of the contract between its peers or co-creators based on the needs of undertaking works.
- (6)Company that guaranteed by all the contributing shareholders according to the shareholding ratio due to the joint investment relationship.
- (7)In accordance with the consumer protection law, the joint guarantee of performance for the sale contract of pre-sale houses among peers.

Notes to the Consolidated Financial Statements of RHTK Technology Co., Ltd. and its Subsidiaries (Continued)

Holding Company	Subsidiary Type and Name	Relationship with the Holding Company	Financial assets at fair value through profit or loss	Share (1,000)	Fair Value		Notes
					Carrying Value	Percentage (%)	
RHTK Technology	COMPASSANT BATTERY CO., LTD. (C-Com)	None	Financial assets at fair value through profit or loss	41	43,849	0.00	52,476
	MCU (S-Com)	None	Financial assets at fair value through profit or loss	41	9,970	-	9,970
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1,000	12,940	-	12,940
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1,000	12,940	-	12,940
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	300	10,035	-	10,035
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	300	10,035	-	10,035
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	300	10,035	-	10,035
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	300	10,035	-	10,035
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	300	10,035	-	10,035
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	300	10,035	-	10,035
Zhongshan Yunnan Capital	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	275	53,144	0.04	53,144
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	184	34,808	0.08	34,808
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	1,488	2,128	0.01	2,128
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	2,904	4,144	0.02	4,144
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	161	3,490	0.06	3,490
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	1,231	1,811	0.01	1,811
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	280	52,623	-	52,623
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	217	2,091	-	2,091
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	100	52,720	-	52,720
	Chuan Pieson Battery Co., Ltd. (C-Com)	None	Financial assets at fair value through profit or loss	100	52,720	-	52,720
Zhongguo Investment	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1,820	30,129	0.30	30,129
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	116	1,161	0.02	1,161
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	726	9,177	0.09	9,177
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	100	801	-	801
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	27	90	0.27	90
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	31	64	0.01	64
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	4,441	0.04	4,441
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	4,441	0.04	4,441
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	4,441	0.04	4,441
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	4,441	0.04	4,441
Hubei Technology Co., Ltd.	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1,201	17,792	0.17	17,792
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1	59	-	59
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	6	3,180	-	3,180
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	40	8,400	0.08	8,400
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	7	1,036	-	1,036
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	237	10,310	0.02	10,310
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	31	886	-	886
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	31	886	-	886
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	14	382	0.04	382
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	29	2,346	0.01	2,346
Anwei Technology	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	400	13,649	0.08	13,649
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	3,846	23,696	0.30	23,696
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	10	822	0.00	822
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	15	1,374	0.01	1,374
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	800	2,000	0.02	2,000
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1,111	4,091	0.08	4,091
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	41	5,221	0.06	5,221
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	14	198	0.01	198
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	29	801	0.01	801
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	155	19,944	0.03	19,944
Lubao Technology Co., Ltd.	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	23	2,697	0.01	2,697
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	2,222	18,997	0.06	18,997
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	474	13,544	0.08	13,544
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	393	11,107	-	11,107
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	713	11,488	-	11,488
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	6,246	0.06	6,246
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	6,246	0.06	6,246
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	6,246	0.06	6,246
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	6,246	0.06	6,246
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	321	6,246	0.06	6,246
Lubao Technology Co., Ltd.	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	1,841	14,862	0.09	14,862
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	517	3,833	0.02	3,833
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	900	5,539	-	5,539
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	43	1,239	0.01	1,239
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	3,180	41,734	0.40	41,734
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	3,020	3,020	-	3,020
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	20	10,000	-	10,000
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	60	611	0.01	611
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	2,352	17,000	0.08	17,000
	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	3,000	10,000	0.03	10,000
Dahua Investment	Yuanze Technology Co., Ltd. (Y-Com)	None	Financial assets at fair value through profit or loss	318	3,833	0.03	3,833

Notes to the Consolidated Financial Statements of RUTEK Technology Co., Ltd. and Its Subsidiaries (Continue)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 4: Acquisition or disposed of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital

Company name	Marketable securities type and name	Financial statement account	Counter-party	Relationship	Beginning balance		Acquisition		Disposal			Ending balance		
					Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Selling Price	Carrying Cost	Gain (Loss) on Disposal	Shares (in thousand)	Amount
PlexBio, Co., Ltd	Score High	Investment accounted for using equity	(Note1)	(Note1)	-	\$ -	14,000	\$ 412,230 (Note1)	-	-	(\$6,040) (Note2)	-	14,000	\$ 406,190
Score High	RVC	Investment accounted for using equity	(Note1)	(Note1)	140,279	768,553	19,721	580,609 (Note1)	-	-	(372,060) (Note2)	-	160,000	\$ 977,102

Note1: Increase in bonds payable

Note2: Using equity method

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 5: Purchase and sale of goods from or to related parties reaching NT\$ 100 million or more than 20% of the paid-in capital or more

Purchaser/seller	Counter-party	Relationship with the counter-party	Transaction			Differences in transaction terms compared to general transactions and reasons		Notes/accounts receivable (payable)		Notes
			Purchases(sales)	Amount	Percentage of total purchases(sales)	Credit term	Unit price	Credit term	Balance	
RITEK Technology	AMI	The company is the ultimate holding company of this company	(Sales)	\$(135,494)	2	75 days	None	None	\$16,845	1
	Contrexx	The company is the ultimate holding company of this company	(Sales)	(151,657)	2	75 days	"	"	15,525	1
	Kunshan Kunlai Trade Co., Ltd.	The company is the ultimate holding company of this company	(Sales)	(153,047)	2	60 days	"	"	67,399	6
	Total		(Sales)	\$(440,198)	6		"	"	\$99,769	8
RITEK Technology	RVC	The company is the ultimate holding company of this company	Purchases	\$604,002	11	60~90 days	"	"	\$62,879	5
	PlexBio, Co., Ltd.	Invested company accounted for using equity method			0	150 days				0
Kunlai Trade Co., Ltd.	Hutek Co., Ltd.	Affiliated subsidiary	Purchases		0	90~120 days				5
										-
Ritdisplay Corporation	Hutek Co., Ltd.	Others	(Sales)	\$212,306	4	90 days	The specifications of purchased products	30-90 days for non-	\$(153,651)	23

Note: The method of disclosure is based on sales or purchase, and its relative transactions will not be disclosed separately.

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NTS 1,000)

Investor Company	Investee Company	Location	Main Business activities	Initial investment amount		Held by the company			Current gain (loss) of the investee	Investment gain (loss) recognized by the company	Notes
				Ending of 2018	Ending of 2017	Number of shares (in thousand)	Shareholding rate (%)	Carrying amount			
RITEK Technology	Affluence	B.V.I.	Investment and holding of various production enterprises	\$1,198,163	\$1,210,982	34,269	100.00	\$433,679	\$(483)	\$(483)	
	ART	B.V.I.	Investment and holding of various production enterprises	838,418	838,418	26,652	100.00	311,632	(64,530)	(64,530)	
	GoldenRiver	U.S.A.	Venture capital investment	13,035	13,035	378	23.14	5,071	-	-	
	Max Online	B.V.I.	Investment and holding of various production enterprises	5,171,711	5,171,711	156,293	100.00	1,059,655	(157,928)	(157,928)	
	RGI	Cayman	Investment and holding of various production enterprises	2,062,912	2,062,912	54,801	100.00	110,225	(41,562)	(41,562)	
	Ritrax	England	Trademark rights company	172,566	174,716	124	14.91	52,350	73	(10,357)	
	Score High	B.V.I.	Investment and holding of various production enterprises	5,752,468	5,579,771	177,608	92.69	659,445	(307,442)	(304,448)	
	Sky Chance	Samoa	Investment and holding of various production enterprises	67,648	67,648	111	100.00	5,082	(34,663)	(34,663)	
	Zhongyuan International Venture Capital Co., Ltd.	Taiwan	Venture capital investment	2,752,607	2,768,482	40,391	100.00	331,693	19,066	19,066	
	Zhongfu Investment Co., Ltd.	Taiwan	General investment	2,417,976	2,447,976	105,851	100.00	55,511	(1,436)	(1,436)	
	PVNEXT Corporation	Taiwan	Manufacturing of electronic components and batteries	901,200	901,200	36,048	43.12	(27,406)	(52,313)	(26,074)	
	Sheng Yuan Biotechnology Co., Ltd.(Original: Heli Energy Co., AimCore Technology Co., Ltd.	Taiwan	Energy technology	1,000	1,000	100	100.00	984	(2)	(2)	
	Bolai Technology Co., Ltd.	Taiwan	Manufacturing of electronic components	157,248	157,248	14,564	21.27	344,864	19,863	(1,417)	
	U-tech Technology Co., Ltd.	Taiwan	Electronic industry	3,123,997	3,123,997	269,031	85.87	860,689	5,449	(2,313)	
	Lai Factory Co., Ltd.	Taiwan	Manufacture and marketing of optical	388,917	388,917	32,489	22.26	418,249	116,454	24,300	
	Laibao Technology Co., Ltd.	Taiwan	Management consulting industry	43,280	81,000	2,500	19.23	22,386	(359)	(2,483)	
	Lat'suan Technology Co., Ltd. Right In Technology Co.	Taiwan	Manufacturing and processing of organic light-emitting display	7,786,803	7,812,142	26,729	40.11	740,743	206,554	84,346	
Zhongfu Investment Co., Ltd.	Taiwan	Lighting equipment manufacturing	100,000	100,000	10,000	100.00	6,981	(507)	(507)		
AimCore Technology	Taiwan	Manufacturing of electronic components	96,015	96,015	2,288	3.34	69,521	19,863	(11,969)		
Bolai Technology Co., Ltd.	Taiwan	Electronic industry	2,621	2,545	298	0.10	1,034	5,449			
Zhongchuang	Taiwan	Electronic industry	378,112	378,112	31,063	9.91	106,661	5,449			
AFFLUENCE	Taiwan	Manufacture and marketing of optical	75,351	75,351	3,778	2.59	80,453	116,454			
ART	Britain	Trademark rights company	994,657	1,006,461	672	80.92	433,429	73			
RGI	USA	Sales of optical discs	423,780	423,780	6,100	100.00	259,895	(44,502)			
SCORE HIGH	Netherlands	Sales of optical discs	750,610	750,610	12	100.00	100,427	(11,478)			
Kunshan Hutek Co., Ltd.	Britain	Trademark rights company	63,552	64,160	35	4.17	143	73			
	Germany	Sales of optical discs	391,800	391,800	1,000	100.00	-	68,669			
	Vietnam	Manufacture and marketing of optical	4,826,844	4,246,235	160,000	100.00	977,102	(298,761)			
	China	Sales of optical discs	CNY900	CNY900	1,000	100.00	CNY2,443	CNY2,534			

Attached Table 7: Information on the name and location of the invested company (excluding invested companies in China)

Currency unit: 1,000

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NTS 1,000)

Investor Company	Investee Company	Location	Main Business activities	Initial investment amount		Held by the company			Current gain (loss) of the investee	Investment gain (loss) recognized by the company	Notes
				Ending of 2018	Ending of 2017	Number of shares (in thousand)	Shareholding rate (%)	Carrying amount			
Sky Chance	Team Diy RITEK LATIN AMERICA	Malaysia America	Trading industry Sales of paint	- 4,490	62,763 4,490	- 150	0.00 100.00	- (843)			
Bolai Technology Co., Ltd.	Arlewood SCORE HIGH Laibao Technology Co., Ltd. U-tech Technology Co., Ltd. TOGOWIN TECHNOLOGY CO., LTD. Pronit Corporation, Vietnam Ltd.	B.V.I. B.V.I. Taiwan Taiwan Taiwan Vietnam	Investment holding Investment and holding of various production businesses. Manufacturing and processing of organic light-emitting display Manufacture and marketing of optical Electronic industry Electronic industry	1,855,410 412,230 27,124 11,114 50,000	1,850,407 - 37,655 11,114 -	57,582 14,000 4,083 1,008 641	100.00 7.31 6.04 0.69 30.21	306,607 406,190 140,853 15,866 50,148	(2,761) (264,468) 206,554 116,454 2,132		
Arlewood	PVNEXT Corporation	Taiwan	Electronic industry	\$373,614	\$368,611	-	100.00	\$21,274	\$(603)		
Laibao Technology Co., Ltd.	Luminit Automotive Hsin Pao Asset Company CASHIDO Technology Co., Ltd.	Taiwan Taiwan Taiwan	Electronic industry Electronic industry Leasing industry Electronic industry	90,000 30,000 55,000 40,996	90,000 30,000 55,000 40,996	3,600 1,350 5,500 3,933	4.31 31.03 78.74 78.66	- 27,241 55,214 52,176	(62,313) (13,767) 6 5,817		
AimCore Technology Co., Ltd.	AimEC Corporation U-tech Technology Co., Ltd. Laibao Technology Co., Ltd. ARMOR INVESTMENT GROUP CORP. Houlu Energy Development Co., Ltd. Finesil Technology Co., Ltd. JHEN JHUAN CO., LTD.	Taiwan Taiwan Taiwan Samoa Taiwan Taiwan Taiwan	Manufacturing and sales of electronic materials, etc. Manufacture and marketing of optical Electronic industry Investment holding Solar energy Chemical material manufacturing and Optical materials manufacturing and	32,000 96,990 - 207,588 272,177 78,155 75,000	40,000 102,573 859 207,588 272,177 78,155 -	3,200 11,304 1,053 6,500 26,565 8,322 3,000	80.00 7.74 1.56 100.00 29.18 71.13 31.58	29,137 125,720 35,744 59,721 310,472 94,842 78,417	(1,771) 116,454 206,554 (15,856) 81,924 8,817 13,553		
JHEN JHUAN CO., LTD.	Yi Zih Corporation	Taiwan	Electronic material manufacturing and sale	1,000	-	-	100.00	2,175	1,032		
U-tech Technology Co., Ltd.	Dollars cultural and creative industry company PVNEX Corporation Bolai Technology Co., Ltd. Laibao Technology Co., Ltd.	Taiwan Taiwan Taiwan Taiwan	Cultural and creative industries Solar cell manufacturing Electronic industry Manufacturing and processing of organic light-emitting display	145,500 290,000 23,653	145,500 290,000 23,653	11,257 11,600 1,971	100.00 13.88 0.63	95,990 -	6,042 (62,313) 5,449		
Houlu Energy Development Co.,	Laibao Technology Co., Ltd. Havard Industries Co., Ltd. Houlu Energy Development Co., Ltd. Jade Investment Services Ltd. Ricare Corporation	Taiwan Taiwan Taiwan BVI Taiwan	Alcoholic Manufacturing Renewable energy self-use power generation equipment industry Investment holding Management Consulting	36,111 5,000 642,860 106,501 40,000	36,111 5,000 399,051 40,000	4,986 500 64,459 1,685 4,000	7.48 100.00 70.82 100.00 30.77	146,353 3,309 753,515 243,304 35,820	206,554 (345) 81,924 14,390 (10,917)		
Houlu Energy Development Co.,	Houcheng Energy Corporation Ritfast Corporation	Taiwan Taiwan	Renewable energy self-use power generation equipment industry Renewable energy self-use power generation equipment industry	1,000 346,888	1,000 276,650	100 32,725	100.00 99.17	874 345,892	(42) 21,348		
Jade Investment Services Ltd.	Glory Days Services Ltd.	BVI	Investment holding	186,981	479,531	3,920	100.00	240,951	14,650		
Glory Days Services Ltd.	U-Tech Media Korea Co., Ltd.	Korea	Manufacture and marketing of optical discs	121,766	121,766	832	100.00	34,577	(1,181)		

Currency unit: 1,000

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NTS 1,000)

Attached Table 8:

1. Information on investments in China

Investee in China	Main business activities	Paid-in capital	Investment	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognised in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
Chongqing Xinhua Multimedia Development Co., Ltd.	Blank recording disc, etc	USD12,000	Note 1	\$205,918 USD5,880	\$-	\$-	\$205,918 USD5,880	\$-	49.00%	\$-	\$-	\$-
Kunshan Hutek Corporation	"	USD82,000	"	\$2,674,127 USD82,000	\$-	\$-	\$2,674,127 USD82,000	\$(6,140)	100.00%	\$(6,140)	\$685,183	\$-
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	Solar module	USD65,529	"	\$1,305,615 USD42,600	\$-	\$-	\$1,305,615 USD42,600	\$(234,864)	65.01%	\$(152,685)	\$470,593	\$-

Investee in China	Accumulative amount of investment remitted from Taiwan to China at the end of	Investment amount approved by the Investment Commission of the Ministry	Ceiling on investments in China imposed by the Investment Commission of MOEA
Chongqing Xinhua Multimedia Development Co., Ltd. Kunshan Hutek Corporation Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	USD5,880 USD82,000 USD42,600	USD5,880 USD99,400 USD43,000	\$3,614,600

Note 1: Investment method: investing in China through a third area company (MAXONLINE)

Note 2: The following significant transactions with investee in China directly or indirectly through the third area, with the price, payment terms, unrealized gain(loss):

- (1) Purchase (sale) of goods: None.
- (2) Property transactions: No significant property transactions.
- (3) The ending balance of the notes/bills endorsement guarantee/collateral and its purpose: please refer to Attached Table 2 for details.
- (4) The maximum balance, ending balance, interest rate range and total interest for the current period of financing: None.
- (5) Other transactions that have a significant impact on the profit(loss) of the current period or the financial situation: None.

Note 3: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant.

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 8-1: TaiyangHai Technology Co., Ltd.

1. Information on investment in China

Investee in China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	Solar module	USD65,529	Direct investment	\$287,730 USD10,000	\$-	\$-	\$287,730 USD10,000	\$(234,864)	15.26%	\$(35,840)	\$79,863	\$-
Investee in China	Accumulative amount of investment remitted from Taiwan to the China at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in China imposed by the Investment Commission of MOEA									
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	USD10,000	USD10,000	\$-									

Note 1: The amount of investment has exceeded the ceiling on investments in China imposed by the Investment Commission of MOEA due to the continuous loss of PVNEXTE Corporation.

Note 2: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant.

Attached Table 8-2: AimCore Technology Co., Ltd.

1. Information on investment in China

Investee in China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
AimCore (Yangzhou) Technology Co., Ltd	production and marketing conducting glass	USD6,500	Note 1	\$207,588 USD6,500	\$-	\$-	\$207,588 USD6,500	\$(15,856)	100.00%	\$(15,856)	\$59,721	\$-

Currency unit: 1,000

Investee in China	Accumulative amount of investment remitted from Taiwan to China at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in China imposed by the Investment Commission of MOEA
AimCore (Yangzhou) Technology Co., Ltd	USD6,500	USD8,000	\$1,248,878

Note 1: Investment method: investing in China through a third area company (ARMOR)

Note 2: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant.

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)

Attached Table 7-3: Bolai Technology Co., Ltd

1. Information on investment in China

Currency unit: 1,000

Investee in China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovere						
Kunshan Proteck Corporation	Plastic precision injection	USD45,223	Note 1	\$1,480,325 USD45,223	\$-	\$-	\$1,480,325 USD45,223	\$21,56	100.00%	\$2,156	\$285,326	\$-
Investee in China	Accumulative amount of investment remitted from Taiwan to China at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in China imposed by the Investment Commission of MOEA									
Kunshan Proteck Corporation	USD45,223	USD45,223	\$620,484 (Note 2)									

Note 1: Investment method: investing in China through a third area company (Ailewood)

Note 2: The amount of investment has exceeded the ceiling on investments in China imposed by the Investment Commission of MOEA due to the continuous loss of Profit Corporation.

Note 2: Recognized in the financial statements verified by the Taiwanese parent company's certified accountant.

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 6: Accounts receivable from related parties reaching NT\$ 100 million or more than 20% of paid-in capital:

Company name	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent year	Allowance for bad debts
					Amount	Action taken		
RITEK Technology	Conrexx	The company is the ultimate holding company of this company					\$-	-
RITEK Technology	Max Online	Invested company accounted for using equity method					-	-
RITEK Technology	RVC	The company is the ultimate holding company of this company			Collecting based on the financial situation of this company		\$-	\$-
RITEK Technology-Other receivables	RVC	The company is the ultimate holding company of this company					-	-
RITEK Technology	Kunshan Hutek Co., Ltd.	The company is the ultimate holding company of this company		#DIV/0!	Collecting based on the financial situation of this company		-	-
RITEK Technology-Long-term receivables	PVNEXT Corporation	Invested company accounted for using equity method		-			-	-
RITEK Technology-Long-term receivables	RVC	The company is the ultimate holding company of this company		-			-	-
Zhongyuan International Venture Capital Co., Ltd.	PVNEXT Corporation	The company is the ultimate holding company of this company		-			-	-
— Long-term receivables								
Laibao Technology Co., Ltd.	Hutek Corporation	Invested company accounted for using equity method		-			-	-
RVC	RITEK Technology	Subsidiary, Invested company accounted for using equity method		-			-	-
Hutek Corporation	RITEK Technology	Our company		-			-	-
Hutek Corporation	Kunshan Hutek Co., Ltd.	Subsidiary, Invested company accounted for using equity method		-			-	-
Bolai Technology Co.,	RITEK Technology	Parent company		-			-	-
Bolai Technology Co., Ltd.-Other receivables	RITEK Technology	Parent company		-			-	-
Hutek Corporation	Laibao Technology Co., Ltd.	Other related party		-			-	-
AimCore Technology- Lease payments receivable	RITEK Technology	Parent company		-			-	-

Notes to the Consolidated Financial Statements of RITEK Technology Co., Ltd. and Its Subsidiaries (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 9: Details of the business relations, significant transactions and amounts between the company and its subsidiaries and between the subsidiaries

Number	Company name	Counterpart	Relationship (Note 1)	Transactions			Percentage of consolidated total operating revenues or total assets (Note 2)
				Accounts	Amount	1 refers to Assets 2 refers to Operating revenue	
0	RITEK Technology	AMI	1	Sales revenue	\$135,494	2	2%
0	RITEK Technology	Conrexx	1	Sales revenue	151,657	2	2%
0	RITEK Technology	Kunshan Kunlai Trade Co., Ltd.	1	Sales revenue	153,047	2	2%
0	RITEK Technology	RVC	1	Cost of goods sold	604,002	2	9%
0	RITEK Technology	RVC	1	Accounts receivable		1	0%
0	RITEK Technology	RVC	1	Long-term receivables		1	0%
0	RITEK Technology	Bolai Technology Co., Ltd.	1	Cost of goods sold		2	0%
0	RITEK Technology	Bolai Technology Co., Ltd.	1	Accounts payable		1	0%
0	RITEK Technology	PVNEXT Corporation	1	Long-term receivables		1	0%
0	RITEK Technology	AimCore Technology	1	Lease payable		1	0%
1	Laibao Technology Co.,	Kunshan Hutek Corporation	2	Cost of goods sold	212,306	2	3%
1	Laibao Technology Co.,	Kunshan Hutek Corporation	2	Sales revenue	153,651	1	1%
1	Kunshan Kunlai Trade Co., Ltd.	Kunshan Hutek Corporation	2	Sales revenue		2	0%

The disclosure standard requires above NT\$100,000,000 for the transaction amount according to the disclosure principle in the attached tables of financial statements.

Note 1: Relationship between transaction company and counterparty is classified into the following two categories:

1. Parent company to subsidiary
2. Subsidiary to parent company

Note 2: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

6. The impact of financial difficulties in the past year and as of the publication date of the annual report on the financial conditions of the Company

VII. Financial highlights, analysis, and risks:

— 、 Financial analysis:

(1) Financial condition analysis

Unit: NT\$ thousand

Item \ Year	2019	2020	Deviation	
			Amount	%
Current assets	8,130,144	7,672,842	(457,302)	(5.62)
Non-current assets	12,825,246	11,878,827	(946,419)	(7.38)
Total assets	20,955,390	19,551,669	(1,403,721)	(6.70)
Current liabilities	4,509,290	4,515,938	6,648	0.15
Non-current liabilities	5,277,849	4,747,785	(530,064)	(10.04)
Total liabilities	9,787,139	9,263,723	(523,416)	(5.35)
Capital	12,841,579	6,936,797	(5,904,782)	(45.98)
Capital surplus	1,129,918	1,147,123	17,205	1.52
Retained earnings	(5,904,783)	(891,794)	5,012,989	(84.90)
Other equity	(1,059,203)	(1,167,793)	(108,590)	10.25
Non-controlled equity	4,160,740	4,263,613	102,873	2.47
Total equity	11,168,251	10,287,946	(880,305)	(7.88)
Percentage change explanation: the difference is less than 20% and the amount is below 10million, so the analysis is unavailable.				

(2) Explanation for the deviation of financial conditions:

1. The increase of current liabilities is mainly due to decrease of short-term loan.
2. The increase of retained earnings is mainly due to current operating loss.

二、 Operating results analysis

(2) Operational results analysis

Unit: NT\$ thousand

Item \ Year	2019	2020	Increase (Decrease)	
			Amount	%
Sales revenue	7,779,123	6,578,209	(1,200,914)	(15.44)
Cost of goods sold	7,240,537	5,700,940	(1,539,597)	(21.26)
Gross margin (loss)	538,586	877,269	338,683	62.88
Operating expenses	1,514,609	1,359,177	(155,432)	(10.26)
Operating loss	(976,023)	(481,908)	494,115	(50.63)
Non-operating income and expenses	(1,494,178)	(247,847)	1,246,331	(83.41)
Net loss before income tax	(2,470,201)	(729,755)	1,740,446	(70.46)
Income tax	(101,281)	(71,972)	29,309	(28.94)
Net loss	(2,571,482)	(801,727)	1,769,755	(68.82)

(2) Analysis for deviation on operational results:

The non-operating income and expense is mainly due to impairment loss of assets recognized in 2020.

三、Cash flow analysis

Cash flow analysis

Unit: NT\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plan	Financial Plan
4,045,515	1,061,336	(919,826)	4,187,025	-	-

(1) Analysis of deviation in 2020 and 2019 :

Item \ Year	2019	2020	Variance (%)
Cash flow ratio (%)	24.89	23.50	(6%)
Cash flow adequacy ratio (%)	106.89	102.89	(4%)
Cash flow reinvestment ratio (%)	2.53	3.10	22%

The increase of cash flow adequacy ratio is due to increase of operating cash inflow from inventory decrease as a result of inventory adjustment

(2) Remedy for cash deficit and liquidity analysis: under comprehensive effects on various cash flows, the cash should be adequate in the coming year.

(3) Cash liquidity analysis for next year:

Unit: NT\$ thousand

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plan	Financial Plan
4,045,515	961,234	(873,636)	4,133,113	—	—

Analysis for 2021 cash flow deviation:

1. Operating activities: The disc industry is facing the challenge of gradual decrease of consumer market. Besides, the COVID-19 has affected the market development and sales due to effects on material, product and logistics. Therefore, we should be more carefully to adjust the sales and customer combination to seek for stable operation.
2. Investment activities: it is mainly the estimated capital expenditure on acquisition of equipment and disposal of fixed assets on 2020.
3. Financing activities: it is mainly the settlement of short and long term loans.
4. Remedy for expected cash deficit and liquidity analysis: Nil

四、 The impact of major capital expenditure on finance and business: Nil

五、 The reinvestment policies, the main reason for profitability or loss, improvement plan and analysis of investment plan in next year:

The Company did not have investment with amount over 5% of paid-in capital. The future investment plan will depend on the market conditions and necessity of expansion on group operation.

六、 Risk evaluation:

- (1) The effects and future corresponding measures against volatility of interest rate, exchange rate and inflation:
 1. Interest rate fluctuation: the interest rate was decreased greatly in last year. The Company's demand for long term fund is mainly supported by long-term loans and corporate bond with zero coupon rate. The interest rates collected by banks are gradually decreased and the Company also evaluates the bank interest rates periodically to get favorable financing interest rate.
 2. Exchange rate volatility: regarding the risks of exchange rate volatility, the Company would do hedge for assets and liabilities in foreign currencies based on certain procedures.
 3. Inflation: although the material prices continuously fluctuated in last year, the Company devoted in the cost control, yield improvement and development of products with high unit price to reduce the impact of rising material prices to the Company.
- (2) The policies of engraining in high risk, high leverage, fund lending to others, endorsement/guarantee and derivative instruments transactions, the main reason for profitability or loss and future counterplots:
 1. The Company did not engage in highly risky and leveraged investment. The derivative instrument transactions were mainly for the hedge.
 2. The Company's endorsement/guarantee and fund lending to others were all managed in accordance with "Procedures for Endorsement/Guarantee" and "Procedures for Fund Lending to Others".
- (3) Future development plan and expected research expenses in the future:
RD department
 1. Future development plan:

No.	Name of Research Project
(1)	Cost improvement plan for consumer disc
(2)	Disc cooperation plan appointed by special

	customers
(3)	High capacity file disc development plan
(4)	Preliminary development plan for double high capacity file disc

2. Expected research expenses: no material research expenses to be generated by now.
- (4) The impacts to and counterplots of the Company due to change in important domestic and foreign policies and laws:
The management team of the Company constantly watches any policy and law that may affect the finance and businesses of the Company. In 2019, no material impact of relevant laws to the Company's finance and businesses.
- (5) The impacts to and counterplots of the Company due to change in technology and industry:
The new specifications of storage media were released consecutively in recent years, while the next generation products with new specifications also appear on the market. Aiming at next generation blue-ray disc, the Company is capable of mass production. After the next generation storage media become the main stream, other product suppliers of previous generation are hard to follow because of its high technology barrier. Relevant new technology development will further reinforce the competitiveness of the Company and facilitate solid financial conditions and business development of the Company.
- (6) The impact to business crisis management due to change in business image and counterplots:
In addition to devoting in the principal businesses, the Company persists in feedback to the society and spares no effort to the sponsor of social welfare activities.
- (7) The expected benefits of acquisition, potential risks and counterplots: no acquisition has been engaged from 2017 to the date of this annual report.
- (8) The expected benefits, potential risks and counterplots of plant expansion: Nil
- (9) The risks and counterplots of centralized purchase or sales:
The sources of purchase and sales counterparties are as shown in this annual report. Due to industrial features and physical operation conditions, the Company has tried the best to separate the sources of purchase and sales counterparties as well as manage customer related affairs to maintain stable operation in the future.

- (10) The impact, risks and counterplots of mass shares transfer or change by major shareholder holding shares over 10%: Nil
- (11) The impact, risks and counterplots of change in ownership: Nil
- (12) For litigious or non-litigious matters, the material litigation of the Company and the Company's Directors, Supervisors, President, substantive person in charge, major shareholder holding shares over 10 percent and subsidiaries finalized or in pending which probably have material impact to shareholders' equity or security price shall be specified. The disclosure of facts in dispute, subject amount, beginning date of litigation, major parties involved and the handling as of the date of this annual report: Nil
- (13) Other important risks and counterplots:

1. Risks management policies

The risk management policies of the Company are to be prepared for the loss evaluation and analysis of potential strategic risks, financial risks, operational risks, human risks, legal and responsibility risks, disaster risks in advance as to select risk management tools.

When the loss expectation after risk evaluation is lower than the tolerable level, the Company shall adopt risk self-retention or loss control measures. This is risks with high frequency of mild loss. Meanwhile, aiming at low frequency and significant loss, the Company adopts risk transfer or evasion measures after evaluating its risk value. The various risk management of the Company are as follows:

(1) Market risk management

Market risks refer to the change in market interest rate or exchange rate resulting in possible loss of the Company due to engagement in relevant transactions.

The Company engages in exchange and interest rate swaps, which are available for the selection of physical principal exchange or not based on the exchange rate as agreed on maturity date. It is not affected by the volatility of exchange rate and therefore the market risk is extremely small.

(2) Liquidity risk management

Liquidity risks refer to the cash flow risks and risks generated by the unsettlement due to uncertain amount and period of cash demand in the future.

The future capital costs have been considered in the interest rate swap contract of the Company, therefore it is free from fund raising risks. Since the exchange rate and interest rate under swap contract are

confirmed, it should be free of material cash flow risk.

(3) Credit risk management

Credit risks refer to the loss generated by default of trading counterparty.

The derivative instrument transactions are limited to the banks with good credit without anticipation of breach of contract. Meanwhile, we would reduce relevant risks by signing net amount settlement without trading counterparty. Therefore, the credit risk is extremely low.

(4) Environment, safety and health risks management

The Company always insists in ISO 14001 environmental management system to meet advanced international environment standards, commit to provide and maintain the working environment as satisfactory to laws and industrial practices and make continuous improvement as to prevent any anticipated risk resulting in environmental pollution.

2. Risk management organization:

The implementation of various risk management policies are carried out altogether by the risk management department and all responsible units. The audit unit will review any existed or potential risks aiming at different operations to establish annual audit plan against the risks.

	Important Risk Item	Risk Management Responsible Unit	Risk Review Mechanism	Decision and Supervision
1	Responsible for the implementation of various risk management systems and risk improvement control	Audit Office		
2	Responsible for financial distribution, establish hedging mechanism, operational decision planning, watching amendment of laws, exchange rate volatility anytime to reduce financial, tax and strategic risks and achieve reliability of financial reports, operational effects and legal compliance.	Finance Center	CEO Office	BOD: The highest decision making unit for handling of various risks Audit Office: Responsible

3	Responsible for the concluding the contract and other legal activities, laws compliance and its final goal is to avoid and reduce legal risks and use the legal rights to create profits.	Legal Affairs Department		for risk monitoring and tracking
4	Responsible for the establishment of safe and reliable information system to ensure data correctness, stable system, safe equipment and network, protect company and personal rights and reduce the information security risks	Information Center		
5	Responsible for the safety, health and environmental protection, constant promotion of risk management, reducing environmental impact and safety and health risks to lower the impact to environment and safety and health risks. It is weighted equally with production to reduce the impact to personnel and surrounding environment.	Environmental Safety Department HR Center		

Risk management department is subordinated to Finance Center. It is responsible for the planning and establishment of various risks management system as well as supervising and monitoring the implementation. In addition, where there is operational related risks occurred during the operation of all departments, risk management department is also responsible for seeking risks resolutions as most

appropriate for the implementation of all departments. It is expected to effectively protect the Company's assets, reduce uncertain loss occurrence and establish the basis of sustainable operation via systematic function.

7. Other important matters: Nil

VIII. Special Notes

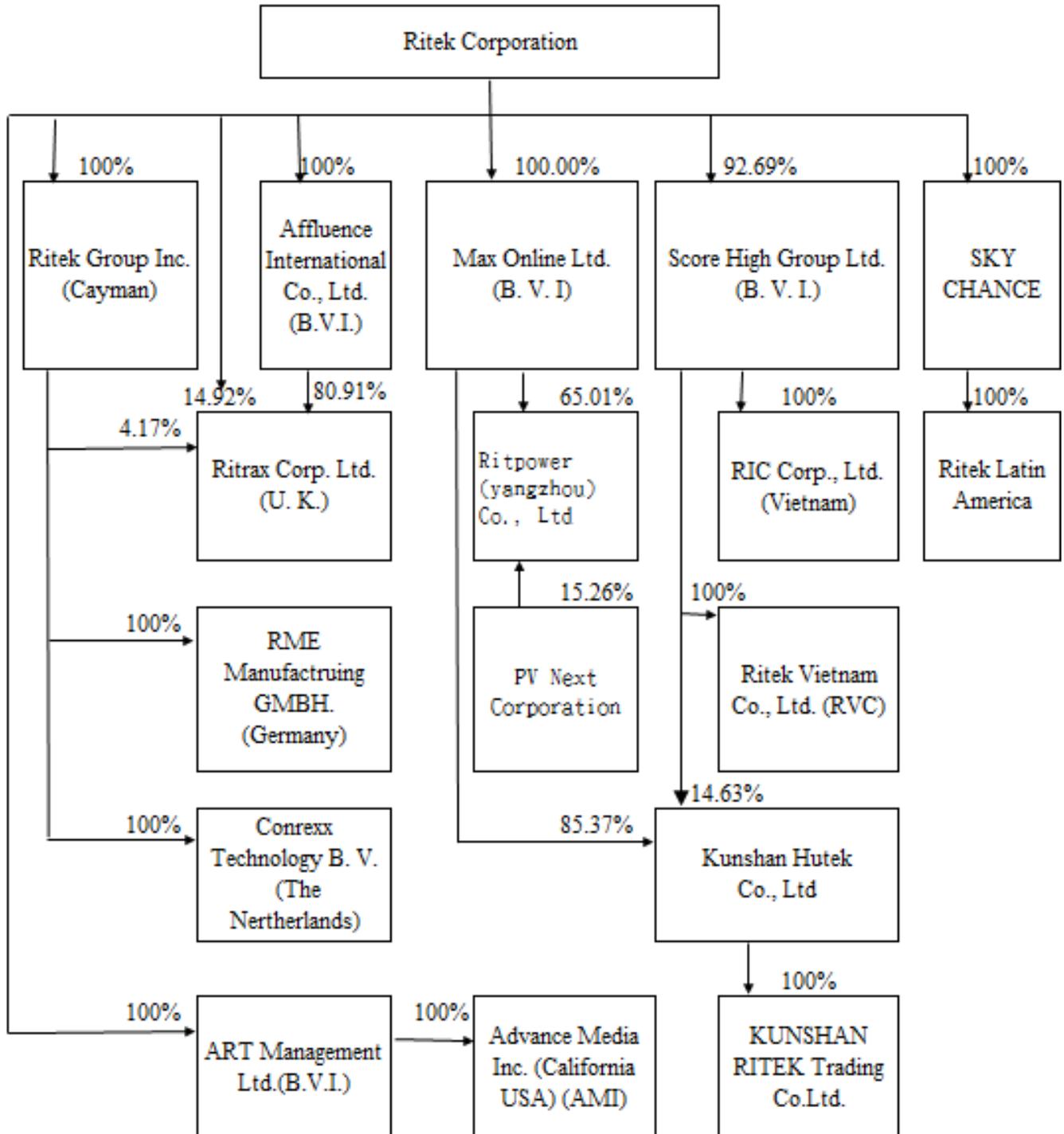
一、 Report of Affiliation

(一) Merger business report for relevant companies

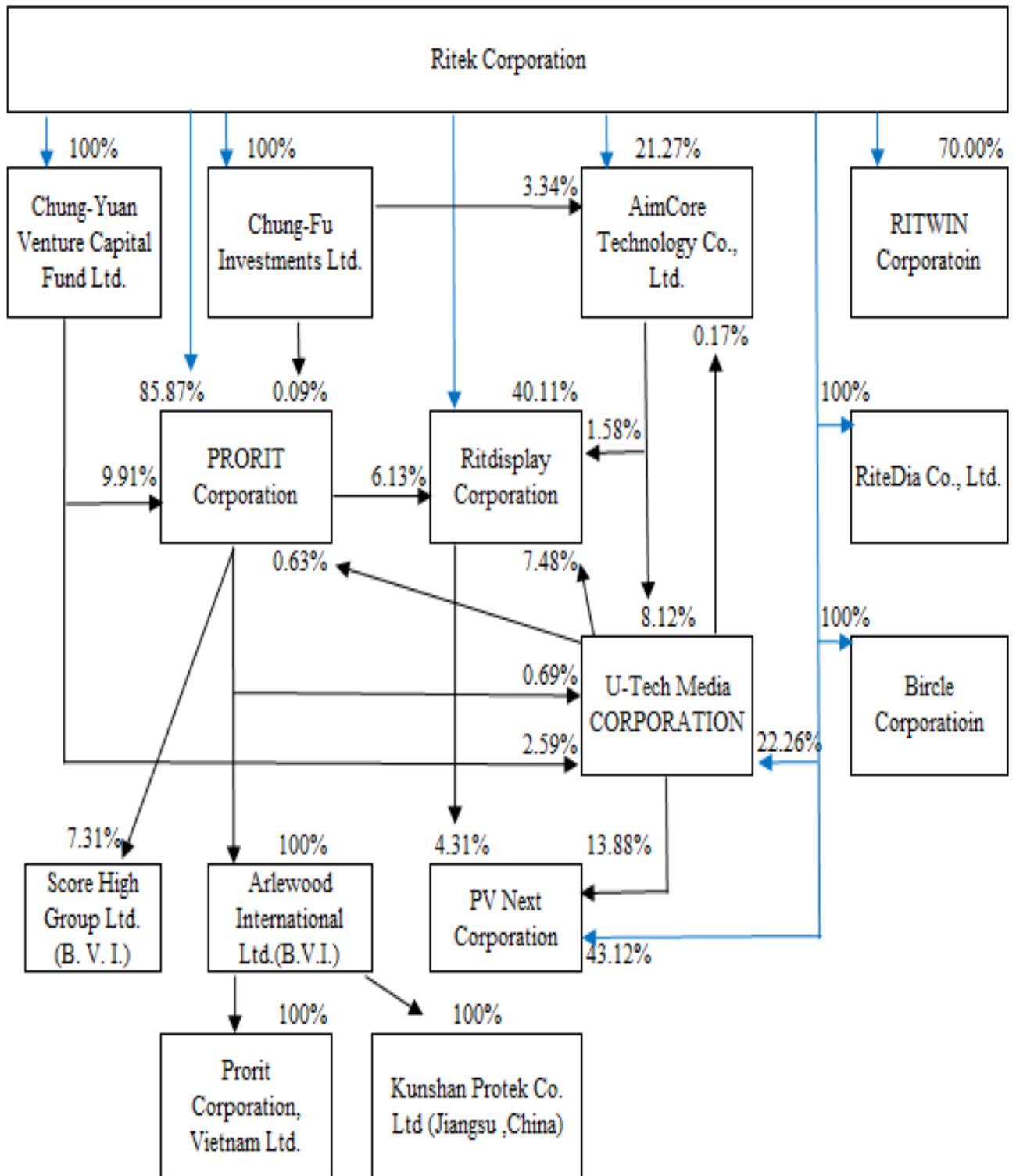
1、 General profile of relevant companies

(1) Organization chart of relevant companies

2020.12.31



(2) . Organization chart of the relevant companies



2、The basic information of Affiliates

2020.12.31 Unit: thousand dollars

Company Name	Established Date	Address	Paid-in Capital	Business Operation
Advanced Media Inc.	2001.12.14	1230 Santa Anita Ave, Ste G South EL Monte, CA 91733 USA	USD 6,100	Overseas sales company
Affluence International Co., Ltd. (B.V.I)	2000.01.04	Tropic Isle Building, P.O. Box 438 Road Town, Tortola, British Virgin Islands	USD34,269	Offshore holding company
Arlewood International Ltd	2002.03.08	P.O. Box 957, Offshore Incorporations, Road Town, Tortola, British Virgin Islands	USD57,472	Offshore holding company
ART Management Ltd. (B.V.I)	1997.03.27	P.O. Box 957, Offshore Incorporations, Road Town, Tortola, British Virgin Islands	USD26,650	Offshore holding company
Conrexx Technology B.V.(The Nertherlands)	2001.10.22	Vierlinghstraat 6 3316EL Dordrecht The Netherlands	EUR11,854	Overseas sales company
KunShan Hutek Co.,Ltd	2001.02.28	No.88 Second Avenue, Kunshan Export Processing Zone, Jiangsu Province, China 215300	CNY672,396	CD manufacturing
Kunshan Protek Co. Ltd (Jiangsu China)	2002.07.15	N0. 88 , Second Avenue, Kunshan Export Processing Zone, Jiangsu Province, China 215301	CNY359,172	CD packing box manufacturing
Kunshan Ritek Trading Company Ltd.	2005.09.12	No. 188, Hulai Road, Kunshan Development Zone, Kunshan City	CNY1,000	Trading company
Max Online Ltd. (B.V.I)	2001.01.04	Jipfa Building, 3 rd Floor, Road Town, Tortola, British Virgin Islands.	USD158,942	Offshore holding company
Prorit Corporation, Vietnam Ltd.	2008.02.27	No.6. VSIP II-A street 27, Vietnam-Singapore Industrial Park II.A.Tan Uyen District. Binh Dunong Province, Vietnam	VND204,161,639	Electronics industry
RIC Corporation Ltd.	2008.02.27	No.2. VSIP II-A street 27, Vietnam-Singapore Industrial Park II.A.Tan Uyen District. Binh Dunong Province, Vietnam	VND18,622,032	CD manufacturing
Ritek Group Inc.(Cayman)	1999.04.30	Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	EUR 54,801	Offshore holding company
Ritek Vietnam Co., Ltd.	2005.03.02	Plot 213, AMATA ROAD, AMATA INDUSTRIAL PARK, LONG BINH WARD, BIEN HOA CITY, DONG NAI PROVINCE, VIETNAM	VND2,708,261,388	CD manufacturing
RITRAX Corporation Ltd.	1999.06.21	7/10 Chandos Street, Cavendish Square London, UK	GBP 1,200	Trademark agent limited company

Company Name	Established Date	Address	Paid-in Capital	Business Operation
RME Manufacturing GmbH. (Germany)	2003.06.23	Glanstrass 33, D-66887 Rammelsbach Kusel, Germany	EUR 1,000	CD printing and packaging
Score High Group Ltd.(B.V.I)	2002.04.08	Po Box 957,Offshore Incorporations Centre,Road Town Tartola, British Virgin Islands	USD191,608	Offshore holding company
Sky chance international limited	2014.08.05	P.O.Box 17,Apia Samoa	USD2,100	Offshore holding company
Ritek Latin American Inc.(Panama)	2018.06.05	Calle Miguel Brostella Street, Los Tucanes Plaza, 2F, Office 4-B.EI Dorado, Panama City , Panama	US150	Trading company
Ritpower (yangzhou) Co., Ltd	2006.09.08	No. 9, Yangzi Jiangnan Road, Yangzhou City	CNY440,641	Solar module manufacturing
Chung-Yuan Venture Capital Fund Ltd.	1998.03.23	No. 42, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C.)	403,912	Venture investment business
Chung-Fu Investments Ltd.	1997.04.30	No. 42, Guangfu N. Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C.)	200,000	General investment business
PVNEXT Corporation	2009.02.13	7F., No. 12, Guangfu N. Rd., Hukou Township, Hsinchu County	836,000	Battery manufacturing
AimCore Technology Co., Ltd.	2007.10.10	No. 10, Guangfu N. Rd., Hukou Township, Hsinchu County	684,670	Manufacturing and sales of conductive glass
PRORIT Corporation	2001.08.03	No. 14, Zhongxing Road, Zhongxing Industrial Zone, Zhongping Village, Tonglu Township, Miaoli County	3,133,000	Precision molding & packaging logistics
U-tech Technology Co., Ltd.	1994.05.19	No. 222, Huaya Second Road, Guishan Township, Taoyuan County	1,459,845	Manufacturing, release, and sales of CDs, video tapes, and films
Ritdisplay Corporation	2000.03.13	No. 12, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	676,320	Manufacturing, machining, and trading business of OLED
RiteDia Co., Ltd.	2011.02.18	No. 17, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	10,000	Manufacturing of lighting equipment
RITWIN CORPORATION	2019.08.27	No. 17, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	10,000	Wholesale and manufacturing of Batteries
Bircle Corporation	2017.04.27	No. 17, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	1,000	Buying and Selling

3、Presumed to be controlled and dependent in accordance with Article 369-3 of the Company Law: no such situation

4. The industries covered by the overall relevant enterprises

- (1) The business of the Company and the related enterprises of the Company includes the production, sale, packaging of storage media, photoelectric industry, solar module manufacturing, and investment management.
- (2) The communication and division of labor between the related enterprises: The communication and division of labor between the company and the related enterprises or among the related enterprises are mutually supportive of the production capacity, vertical division in the industry, and the establishment of the group's complete production and marketing system

5、Directors, supervisors, president, vice president, heads of company: 2020.12.31

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
Chung-Fu Investments Ltd.	Chairman	Legal representative of Ritek Corporation: Yeh, Chwei-Jing	20,000,000	100%
	Director	Legal representative of Ritek Corporation: Pan, Yan-Ming	20,000,000	100%
	Director	Legal representative of Ritek Corporation: Li, Min Shan	20,000,000	100%
	Supervisor	Legal representative of Ritek Corporation: Shih, Gu-Fu	20,000,000	100%
	Chairman	Legal representative of Ritek Corporation: Yeh, Chwei-Jing	40,391,000	100%
Chung-Yuan Venture Capital Fund Ltd.	Director	Legal representative of Ritek Corporation: Chang, Yu-Huan	40,391,000	100%
	Director	Legal representative of Ritek Corporation: Yang, Wei-Feng	40,391,000	100%
	Supervisor	Legal representative of Ritek Corporation: Shih, Gu-Fu	40,391,000	100%
	Chairman	Yeh, Chwei-Jing	344,000	0.5%
	Director	Legal representative of Ritek Corporation: Wang, Ting-Chang	26,729,000	39.52%
Ritdisplay Corporation	Director	Legal representative of Ritek Corporation: Li, Min Shan	26,729,000	39.52%
	Director	Legal representative of Ritek Corporation: Pan, Yan-Ming	26,729,000	39.52%
	Director	Legal representative of Ritek Corporation: Yang, Wei-Feng	26,729,000	39.52%
	Director	Legal representative of Ritek Corporation: Tung, Pao-Cheng	26,729,000	39.52%
	Independent Director	Lin, Zu-Chia	0	0%
	Independent Director	Wu, Chih-Chih	0	0%
	Independent Director	Tung, Yun-Ling	0	0%
	Independent Director			
	Independent Director			
	Independent Director			

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
U-tech Technology Co., Ltd.	Director	Legal representative of Ritek Corporation: Yeh, Chwei-Jing	32,489,000	22.26%
	Director	Legal representative of Ritek Corporation: Pan, Yan-Ming	32,489,000	22.26%
	Director	Legal representative of Ritek Corporation: Yeh, Chuei-Sheng	32,489,000	22.26%
	Director	Yang, Wei-Feng	0	0%
	Director	Huang, Kuo-Hsing	0	0%
	Independent Director	Li, Ching-Wen	0	0%
	Independent Director	Wu, Jung-Sheng	0	0%
	Supervisor	Chien, Ching-Wen	720,000	0.49%
	Supervisor	Yeh, Chuei-Chiao	534,000	0.36%
	Supervisor	Chien, Ching-Wen	0	0%
	Chairman	Legal representative of Ritek Corporation: Lo, Ching-Chung	269,031,000	85.87%
	Director	Legal representative of Ritek Corporation: Yang, Wei-Feng	269,031,000	85.87%
	Director	Legal representative of Ritek Corporation: Pan, Yan-Ming	269,031,000	85.87%
Supervisor	Shih, Gu-Fu	0	0%	
Chairman	Legal representative of Ritek Corporation: Yeh, Chwei-Jing	14,564,000	21.27%	
Director	Legal representative of Ritek Corporation: Yang, Wei-Feng	14,564,000	21.27%	
Director	Legal representative of Ritek Corporation: Pan, Yan-Ming	14,564,000	21.27%	
Director	Chou, Wan-Shun	0	0%	
Independent Director	Lin, Zu-Chia	0	0%	
Independent Director	Lu, Po-Neng	0	0%	
PRORIT Corporation				
AimCore Technology Co., Ltd				

Company Name	Title	Name of Representative	Shareholdings		
			Share(thousand)	shareholding ratio	
PVNEXT Corporation	Independent Director	Wu, Jung-Sheng	0	0%	
	Manager	Chiang, Ming-Chun			
	Chairman	Yeh, Chwei-Jing	-----	-----	
	Director	Legal representative of Ritek Corporation: Wang, Ting-Chang	36,048,000	43.12%	
	Director	Legal representative of Ritek Corporation: Chen, Kang	36,048,000	43.12%	
	Director	Legal representative of Ritek Corporation: Chiang, Ming-Hsien	36,048,000	43.12%	
	Director	KPCB Asia Pacific Holding(1) LTd.	14,782,000	17.68%	
	Supervisor	Ritdisplay Corporation	3,600,000	4.31%	
	Supervisor	Pan, Yan-Ming	0	0%	
	Manager	Wang, Ting-Chang			
	Supervisor	Chiang, Ming-Hsien	0.12	0%	
	RiteDia Co., Ltd.	Chairman	Legal representative of Ritek Corporation: Yeh, Chwei-Jing	1,000,000	100%
		Director	Legal representative of Ritek Corporation: Wang, Ting-Chang	1,000,000	100%
	Director	Legal representative of Ritek Corporation: Lo, Ching-Chung	1,000,000	100%	
	Supervisor	Legal representative of Ritek Corporation: Pan, Yan-Ming	1,000,000	100%	
	Manager	Yeh, Chwei-Jing			
RITWIN CORPORATION.	Chairman	Legal representative of Ritek Corporation: Yeh, Chwei-Jing	700,000	70%	
	Director	Legal representative of Ritek Corporation: Lo, Ching-Chung	700,000	70%	
	Director	Han-Win Technology Co., Ltd.	300,000	30%	
	Supervisor	Shih, Gu-Fu	----	----	
Bircle Corporation	Chairman	Legal representative of Ritek Corporation: Zheng, sheng- chuan.	100,000	100%	

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
Advanced Media, Inc. (California USA)	Director	ART Management Ltd : Mr. Yeh, Chwei-Jing	-----	100%
	Director	ART Management Ltd : Mr. Dar, Cheng	-----	100%
	Director	Ritek Corporation : Mr. Yeh, Chwei-Jing	-----	100%
Affluence International Co., Ltd.(B.V.I)	Director	Prorit Corporation: Mr. Lo, Ching-Chung	-----	100%
Arlewood International Ltd.	Director	Ritek Corporation : Mr. Yeh, Chwei-Jing	-----	100%
	Director	Ritek Corporation : Ms. Yang, Wei-Fen	-----	100%
	Director	Ritek Group Inc : Mr. Richard Vong	-----	100%
Conrexx Technology B.V. (The Netherlands)	Director	MaxOnline Limited : Mr. Pan, Yen Min	-----	85.37%
Kunshan Hutek Co., Ltd (Jiangsu ,China)	Director	MaxOnline Limited : Mr. Chen, Kang	-----	85.37%
	Director	MaxOnline Limited : Mr. Pong Chi-Wei	-----	85.37%
	Director	Arlewood International Ltd.: Mr. Pong Chi-Wei	-----	100%
Kunshan Protek Co. Ltd (Jiangsu , China)	Director	Arlewood International Ltd.: Mr. Lo, Ching-Chung	-----	100%
	Director	Arlewood International Ltd.: Ms. Chang Yu-Huan	-----	100%
	Director	Kunshan Hutek Co.Ltd: Mr. Pong Chi-Wei	-----	100%
Kunshan Ritek Trading Company Ltd.	Supervisor	Kunshan Hutek Co.Ltd: Mr. Pan Yen Min	-----	100%
	Director	Ritek Corporation	-----	100%
MaxOnline Limited (B.V.I)	Director	Arlewood International Ltd.: Mr. Lo, Ching-Chung	-----	100%
	Director	Arlewood International Ltd.: Mr. Hsu, Tung Ming	-----	100%
	Director	Arlewood International Ltd.: Ms.Lee, Min Shan	-----	100%
Ritek Group Inc. (Cayman)	Director	Ritek Corporation : Mr. Yeh, Chwei-Jing	-----	100%
	Director	Score High Group Ltd.: Mr. Yeh, Chwei-Jing	-----	100%
	Director	Score High Group Ltd.: Mr. Chen,	-----	100%

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
		Chi-Hung		
Ritpower (yangzhou) Co., Ltd	Director	Score High Group Ltd.: Ms. Lee, Min Shan	-----	100%
	Director	MaxOnline : Ms. Yang, Wei-Fen	-----	65.01%
	Director	MaxOnline : Mr. Pan, Yen-Min	-----	65.01%
	Director	MaxOnline : Mr. Shih, Chu-Fu	-----	65.01%
	Director	MaxOnline : Mr. Yeh, Chwei-Sheng	-----	65.01%
	Director	MaxOnline : Mr. Chang, Yung- Wen	-----	65.01%
	Director	SinGuangYuan(Yangzhou) technology development co . ltd	-----	4.44%
	Director	Yangzhou City Modern Financial Investment Group Co., Ltd.	-----	15.17%
	Supervisor	MaxOnline : Ms. Jiang, Yu-Lan	-----	65.01%
	Supervisor	MaxOnline : Ms. Chang, Yu-Huan	-----	65.01%
Ritrax Corp. Ltd.(U.K)	Director	Ms. Lin, Nieh-Yin	-----	-----
RME Manufacturing GMBH.(Germany)	Director	Ritek Group Inc : Mr. Richard Vong	-----	100%
Score High Group Ltd. (B.V.I)	Director	Ritek Corporation : Mr. Yeh, Chwei-Jing	-----	100%
Sky Chance International Ltd. (Samoa)	Director	Ritek Corporation : Mr. Yeh, Cheng-KA	-----	100%
Team Diy Hardware Sdn. BHD.	Director	Sky Chance : Mr. Shih,Chu-Fu	-----	51%
Ritek Latin American Inc.(Panama)	Director	Sky Chance : Mr. Yeh, Cheng Kai	-----	100%
RIC Vietnam Company Ltd.	Director	Score High Group Ltd.: Mr. Yeh, Chwei-Jing	-----	100%
	Director	Score High Group Ltd.: Mr. Chen, Chi-Hung	-----	100%
	Director	Score High Group Ltd.: Ms. Lee, Min-Shan	-----	100%

6、Business operation of affiliates

2020.12.31

Company	Unit	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating Income	Gross Profit	Net Income		Earnings per share(NTD)
								(after tax)	(after tax)	
Advanced Media, Inc. (California USA)	USD	6,100	8,103	992	7,111	6,864	(1,870)	(1,531)	(1,531)	(0.25)
Affluence International Co., Ltd.(B.V.I)	TWD	1,149,506	433,679	0	433,679	0	(151)	(483)	(483)	(0.00)
Arlwood International Ltd	TWD	1,850,407	305,316	0	305,316	0	0	(90,113)	(90,113)	(0.05)
ART Management Ltd.(B.V.I)	TWD	837,255	259,895	0	259,895	0	0	(64,530)	(64,530)	(0.08)
Conrexx Technology B V.(The Netherlands)	EUR	11,854	3,538	631	2,907	6,705	(78)	(92)	(92)	(0.01)
Kunshan Hutek Co., Ltd. (Jiangsu, China)	CNY	672,396	188,120	41,407	146,713	210,960	(5,080)	(13,501)	(13,501)	(0.02)
Kunshan Protek Co., Ltd. (Jiangsu, China)	CNY	359,172	62,667	3,759	58,908	25,774	(4,119)	(20,427)	(20,427)	(0.06)
Kunshan Ritek Trading Company Ltd.	CNY	1,000	33,830	31,387	2,443	69,353	1,608	2,534	2,534	2.53
MaxOnline Limited (B.V.I)	TWD	5,187,944	1,055,541		1,055,541	0	0	(157,928)	(157,928)	(0.03)
Profit Corporation, Vietnam Ltd.	VND	204,161,639	14,032,132	2,500	14,029,632	0	(335,915)	(335,624)	(335,624)	(0.00)
Ritek Group Inc. (Cayman)	TWD	2,096,881	112,990	1,755	111,235	0	(1,447)	(41,562)	(41,562)	(0.02)
Ritek Vietnam Company Ltd.,	VND	2,708,261,388	1,134,690,580	279,153,309	855,537,271	715,978,466	(206,972,347)	(458,306,992)	(458,306,992)	(0.17)
Ritrax Corp. Ltd.(U.K)	GBP	1,200	97	7	90	8	2	2	2	0.00
RME Manufacturing GMBH.(Germany)	EUR	1,000	46	97	(51)	0	(4)	2,014	2,014	2.01
Score High Group Ltd. (B.V.I)	TWD	6,164,255	1,077,356		1,077,356	0	(3,464)	(307,442)	(307,442)	(0.05)
Sky chance international limited	TWD	3,382	5,082	0	5,082	0	(65)	(34,663)	(34,663)	(10.25)
Ritek Latin America	USD	250	78	1,146	(1,068)	35	(29)	(29)	(29)	(0.12)
Ritpower (yangzhou) Co., Ltd	CNY	440,641	168,337	579	167,758	0	(55,188)	(54,461)	(54,461)	(0.12)
Chung-Yuan Venture Capital Fund Ltd.	TWD	403,912	515,492	50,211	465,281	2,254	(2,327)	(19,066)	(19,066)	(0.47)
Chung-Fu Investments	TWD	200,000	311,510	50,200	261,310	0	(1,902)	(1,436)	(1,436)	(0.07)

Company	Unit	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating Income	Gross Profit	Net Income		Earnings per share(NTD) (after tax)
								(after tax)		
Ltd.										
PVNEXT Corporation	TWD	836,000	118,103	206,127	(88,024)	0	(125)	(52,313)		(0.63)
AimCore Technology Co., Ltd.	TWD	684,670	3,082,163	860,400	2,221,763	795,803	(34,874)	29,554		0.29
PRORIT Corporation	TWD	3,133,000	1,050,571	16,431	1,034,140	76,961	(4,777)	5,449		0.02
U-tech Technology Co., Ltd.	TWD	1,459,845	5,485,991	2,866,781	2,619,210	964,940	182,854	140,564		0.80
Bircle Corporation	TWD	1,000	984	0	984	0	0	(2)		(0.02)
Ritdisplay Corporation	TWD	676,320	3,643,945	1,649,955	1,993,990	1,638,051	191,449	207,781		3.06
RiteDia Co., Ltd	TWD	10,000	7,181	194	6,987	0	(510)	(507)		(0.51)
RITWIN CORPORATION	TWD	10,000	68,409	75,596	(7,187)	18,955	(17,321)	(17,087)		(17.09)

(2) Consolidated financial statements of relevant companies

The entities that have to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited from January 1, 2019 to December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises, shall be the same as those included in the consolidated financial statements prepared in accordance with the Financial Accounting Standard 7, "Consolidated and Separate Financial Statements." Furthermore, the information required to be disclosed in the combined financial statements shall be included in the consolidated financial statements. Therefore, Ritek Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

(3) Relationship report of the relevant companies: Inapplicable

2. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year as of the date of publication of the annual report: Nil.

3. Status of common shares of the company acquired or disposed by subsidiaries in the past year and as of the publication of the annual report: none

4. Other major supplements: Nil.

IX. Matters with material effect on shareholders' equity or security price as stipulated in subparagraph 2 of paragraph 2 of Article 6 of the Securities Exchange Act: Nil.

RITEK CORPORATION

Chairman: Yeh, Chwei-Jing