

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker:8104

**RITDISPLAY CORPORATION
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2020 AND 2019
AND FOR THE YEARS THEN ENDED**

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The reader is advised that these parent-company-only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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INDEPENDENT AUDITORS' REPORT

To: the Board of Directors and Shareholders of
Ritdisplay Corporation

Opinion

We have audited the accompanying parent-company-only balance sheets of Ritdisplay Corporation (the “Company”) as of December 31, 2020 and 2019, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as “the parent-company-only financial statements”).

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2020 and 2019, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company 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. 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 the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT\$1,542,428 thousand for the year ended December 31, 2020 is a significant account to the Company's financial statements. The major revenues were from manufacturing and sales of OLED. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, America and North Africa, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the appropriateness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on sale revenues, and executing sale cut-off tests for a period time before and after the balance sheet date, reviewing for subsequent sales returns and allowance etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the financial statements.

Market valuation on Inventory

We determined the market valuation on inventory is also one of the key audit matters. The Company's net inventory amounting to NT\$58,522 thousand as of December 31, 2020, which is significant to the Company's financial statements. The application market of the Company's main products, OLED, has been developing and changing rapidly by display technology and demand of communication market. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision.

Our audit procedures therefore include, but not limit to, evaluating the appropriateness of inventory provision including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. We have also evaluated the appropriateness of the related disclosure in Note 5 and 6 to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of 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 parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only 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 parent-company-only 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 parent-company-only 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.
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. 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 parent-company-only 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 to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only 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 parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company 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 parent-company-only 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.

Cheng, Ching-Piao

Lo, Hsiao-Chin

Ernst & Young, Taiwan, R.O.C
March 25, 2021

Notice to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying parent-company-only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

Parent-Company-Only Balance Sheets

As of December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2020		2019	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$819,361	23	\$564,877	16
1110	Financial assets at fair value through profit or loss	4, 6(2)	122,154	4	12,979	-
1120	Financial assets at fair value through other comprehensive	4, 6(3)	12,514	-	26,237	1
1136	Financial assets measured at amortized cost	4, 6(4)	-	-	29,956	1
1170	Accounts receivable, net	4, 6(5), 6(20)	264,647	7	223,080	6
1200	Other receivables		9,701	-	21,057	1
1210	Other receivables - related parties	7	478	-	1,800	-
130X	Inventories, net	4, 6(6)	58,522	2	64,155	2
1410	Prepayments		31,267	1	27,253	1
1470	Other current assets	7	175	-	325	-
11XX	Total current assets		<u>1,318,819</u>	<u>37</u>	<u>971,719</u>	<u>28</u>
	Non-current assets					
1535	Financial assets measured at amortized cost	4, 6(4), 8	9,213	-	9,021	-
1550	Investment accounted for under equity method	4, 6(7)	134,631	4	134,830	4
1600	Property, plant and equipment, net	4, 6(8), 8	1,576,496	44	1,709,790	51
1755	Right-of-use assets	4, 6(21), 7	-	-	7,029	-
1760	Investment property, net	4, 6(9), 8	233,459	6	209,578	6
1780	Intangible assets, net	4, 6(10)	27,083	1	46,200	1
1840	Deferred tax assets	4, 6(25)	280,908	8	338,383	10
1900	Other non-current assets	6(11)	3,929	-	9,230	-
15XX	Total non-current assets		<u>2,265,719</u>	<u>63</u>	<u>2,464,061</u>	<u>72</u>
1XXX	Total Assets		<u>\$3,584,538</u>	<u>100</u>	<u>\$3,435,780</u>	<u>100</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2020		2019	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	\$142,153	4	\$145,390	4
2130	Contract liability	4, 6(19)	3,189	-	3,287	-
2170	Accounts payable		245,265	7	152,504	5
2180	Accounts payable - related parties	7	153,588	4	133,103	4
2200	Other payables		105,641	3	112,836	3
2220	Other payables - related parties	7	4,980	-	3,454	-
2230	Current income tax liabilities	4, 6(25)	1,614	-	5,405	-
2282	Lease liabilities - related parties	4, 6(21), 7	-	-	7,098	-
2300	Other current liabilities		1,063	-	2,113	-
2320	Corrent portion of long-term loans	6(15), 8	215,559	6	254,206	8
21XX	Total current liabilities		<u>873,052</u>	<u>24</u>	<u>819,396</u>	<u>24</u>
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss	4, 6(13)	385	-	-	-
2530	Bonds payable	6(14)	330,379	9	-	-
2540	Long-term loans	6(15), 8	358,424	10	730,965	21
2570	Deferred tax liabilities	4, 6(25)	493	-	85	-
2670	Other non-current liabilities	4, 6(16)	56,878	2	59,199	2
25XX	Total non-current liabilities		<u>746,559</u>	<u>21</u>	<u>790,249</u>	<u>23</u>
2XXX	Total liabilities		<u>1,619,611</u>	<u>45</u>	<u>1,609,645</u>	<u>47</u>
31XX	Equity	6(17)				
3100	Capital					
3110	Common stock		676,301	19	676,301	20
3130	Bond conversion entitlement certificates		19	-	-	-
3200	Capital surplus	6(17)	570,011	16	552,990	16
3300	Retained earnings	6(17)				
3310	Legal reserve		122,116	3	117,024	3
3320	Special reserve		2,853	-	1,468	-
3350	Unappropriated earnings		650,819	18	481,206	14
3400	Other components of equity		(5,706)	-	(2,854)	-
3500	Treasury stock	4, 6(17)	(51,486)	(1)	-	-
3XXX	Total equity		<u>1,964,927</u>	<u>55</u>	<u>1,826,135</u>	<u>53</u>
	Total liabilities and equity		<u>\$3,584,538</u>	<u>100</u>	<u>\$3,435,780</u>	<u>100</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

Parent-Company-Only Statements Of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2020		2019	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(19), 7	\$1,542,428	100	\$1,569,642	100
5000	Operating costs	6, 7	(1,145,524)	(74)	(1,324,524)	(84)
5900	Gross profit		396,904	26	245,118	16
6000	Operating expenses	6, 7				
6100	Selling		(26,693)	(2)	(53,943)	(4)
6200	General and administrative		(94,313)	(6)	(96,000)	(6)
6300	Research and development		(85,629)	(6)	(93,000)	(6)
6450	Expected credit losses	4, 6(20)	(4,274)	-	(823)	-
	Operating expenses total		(210,909)	(14)	(243,766)	(16)
6900	Operating income		185,995	12	1,352	-
7000	Non-operating income and expenses					
7010	Other income	6(23), 7	111,045	7	96,270	6
7020	Other gains and losses	6(23)	(16,530)	(1)	(2,799)	-
7050	Finance costs	6(23), 7	(19,955)	(1)	(24,198)	(1)
7060	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	4, 6(7)	(275)	-	5,722	-
	Non-operating income and expenses total		74,285	5	74,995	5
7900	Income before income tax		260,280	17	76,347	5
7950	Income tax expense	4, 6(25)	(53,726)	(4)	(25,421)	(2)
8200	Net income		206,554	13	50,926	3
8300	Other comprehensive income (loss)	6(24)				
8310	Item that not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans		(1,954)	-	(25,373)	(1)
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive income (loss)		(2,617)	-	(644)	-
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss		(5,075)	-	5,075	-
	Total other comprehensive income, net of tax		(9,646)	-	(20,942)	(1)
8500	Total comprehensive income (loss)		\$196,908	13	\$29,984	2
9750	Earnings per share - basic (in NTD)	6(26)	\$3.06		\$0.76	
9850	Earnings per share - diluted (in NTD)	6(26)	\$2.95		\$0.76	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Capital 3100	Capital Surplus 3200	Retained Earnings			Other Components of equity		Treasury stock 3500	Total Equity 3XXX
				Legal Reserve 3310	Special Reserve 3320	Unappropriated Earnings 3350	Exchange differences arising on translation of foreign operations 3410	Unrealized gains or losses on financial assets at fair value through other comprehensive income 3420		
A1	Balance as of January 1, 2019	\$601,101	\$98,424	\$82,979	\$-	\$688,240	\$(614)	\$(855)	\$-	\$1,469,275
	Appropriation and distribution of 2018 earnings:									
B1	Legal reserve			34,045		(34,045)				-
B3	Special reserve				1,468	(1,468)				-
B5	Cash dividends - common shares					(202,890)				(202,890)
D1	Net income for 2019					50,926				50,926
D3	Other comprehensive income (loss) for 2019					(20,298)		(644)		(20,942)
D5	Total comprehensive income (loss)	-	-	-	-	30,628	-	(644)	-	29,984
E1	Issuance of common stock for cash	75,200	442,779							517,979
M5	The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries		1,379							1,379
N1	Share-based payment transaction		10,408							10,408
Q1	Disposal of investments in equity instruments measured at fair value through other comprehensive income					741		(741)		-
Z1	Balance as of December 31, 2019	676,301	552,990	117,024	1,468	481,206	(614)	(2,240)	-	1,826,135
	Appropriation and distribution of 2019 earnings:									
B1	Legal reserve			5,092		(5,092)				-
B3	Special reserve				1,385	(1,385)				-
B5	Cash dividends - common shares					(23,670)				(23,670)
C5	Equity component of convertible bonds		16,870							16,870
D1	Net income for 2020					206,554				206,554
D3	Other comprehensive income (loss) for 2020					(7,029)		(2,617)		(9,646)
D5	Total comprehensive income (loss)	-	-	-	-	199,525	-	(2,617)	-	196,908
I1	Conversion of convertible bonds	19	75							94
L1	Treasury stock acquired								(51,486)	(51,486)
M7	Changes in subsidiaries ownership		76							76
Q1	Disposal of investments in equity instruments measured at fair value through other comprehensive income					235		(235)		-
Z1	Balance as of December 31, 2020	\$676,320	\$570,011	\$122,116	\$2,853	\$650,819	\$(614)	\$(5,092)	\$(51,486)	\$1,964,927

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2020	2019	Code	Items	2020	2019
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$260,280	\$76,347	B00010	Acquisition of financial assets at fair value through other comprehensive income	(4,475)	(23,720)
A20000	Adjustments:			B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	15,581	8,624
A20010	Profit or loss not effecting cash flows:			B00040	Acquisition of financial assets measured at amortised cost	(192)	(29,956)
A20100	Depreciation expenses and other losses	110,043	112,449	B00050	Proceeds from disposal of financial assets measured at amortised cost	29,956	4,680
A20200	Amortization	19,117	19,118	B01800	Acquisition of investments accounted for under equity method	-	(125,996)
A20300	Expected credit losses	4,274	823	B01900	Disposal of investments accounted for under equity method	-	51,998
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	3,362	(4,978)	B02700	Acquisition of property, plant and equipment	(17,962)	(107,869)
A20900	Interest expense	19,955	24,198	B02800	Proceeds from disposal of property, plant and equipment	762	431
A21200	Interest income	(2,904)	(14,959)	BBBB	Net cash provided by (used in) investing activities	23,670	(221,808)
A21300	Dividend income	(1,448)	(2,206)				
A21900	Cost of share based payment	-	10,408	CCCC	Cash flows from financing activities:		
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	275	(5,722)	C00200	(Repayments of) increase in short-term loans	(3,237)	70,390
A22500	Gain on disposal of property, plant and equipment	(5,586)	(7,430)	C01200	Issuance of convertible bonds	345,000	-
A23100	Gain on disposal of investments	(15,404)	(8,311)	C01700	Repayments of long-term loans	(411,188)	(385,599)
A23700	Impairment on non-financial assets	8,346	-	C04020	Cash payments for the principal portion of the lease liabilities	(1,790)	(7,162)
A29900	Gain on lease modification	(64)	-	C04300	Increase in other non-current liabilities	3,461	6,334
A30000	Changes in operating assets and liabilities:			C04500	Cash dividends paid	(23,670)	(202,890)
A31115	(Increase) decrease of financial assets at fair value through profit or loss	(97,868)	6,245	C04600	Capital increased by cash	-	517,979
A31150	(Increase) decrease of accounts receivable	(45,841)	267,443	C04900	Treasury stock acquired	(51,486)	-
A31180	Decrease (increase) of other receivables	10,585	(3,503)	CCCC	Net cash used in financing activities	(142,910)	(948)
A31190	Decrease of other receivables - related parties	1,322	8,227				
A31200	Decrease of inventories	5,633	55,985	EEEE	Net increase (decrease) in cash and cash equivalents	254,484	80,795
A31230	Increase of prepayment	(4,014)	(5,842)	E00100	Cash and cash equivalents at beginning of period	564,877	484,082
A31240	Decrease of other current assets	150	557	E00200	Cash and cash equivalents at end of period	\$819,361	\$564,877
A32125	(Decrease) increase of contract liabilities	(98)	340				
A32150	Increase (decrease) of accounts payable	92,761	(164,563)				
A32160	Increase (decrease) of accounts payable - related parties	20,485	(2,331)				
A32180	Increase (decrease) of other payables	6,891	(36,504)				
A32190	Increase (decrease) of other payables - related parties	1,526	(2,787)				
A32230	(Decrease) increase of other current liabilities	(1,050)	820				
A32240	(Decrease) increase in net defined benefit liability	(663)	4,183				
A33000	Cash generated from operations	390,065	328,007				
A33100	Interest received	3,675	14,959				
A33200	Dividend received	1,448	2,206				
A33300	Interest paid	(16,755)	(24,277)				
A33500	Income tax paid	(4,709)	(17,344)				
AAAA	Net cash provided by operating activities	373,724	303,551				

(The accompanying notes are an integral part of the parent-company-only financial statements.)

Ritdisplay Corporation

Notes to the Parent-Company-Only Financial Statements

For the Years Ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Ritdisplay Corporation (referred to “the Company”) was established on March 13, 2000. Its main business activities include the manufacture of OLED and sales of the related products. The Company’s stock have been approved on July, 2016 to be listed and trade in Taiwan Over-The-Counter Securities Exchange, and publicly listed on the Taiwan Stock Exchange starting January 17, 2019. The registered business premise and main operation address is at No.12, North Kuan-Fu Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu Country, Taiwan, 30351.

Ritek Corporation is the Company’s parent, while is also the ultimate controller of the Company to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The parent-company-only financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on March 25, 2021.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. The new standards and amendments had no material impact on the company.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies’ financial statements:

- I. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- II. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- III. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative-Accounting Policies-Amendments	January 1, 2023
f	Definition Accounting Estimates-amendment to IAS 8	January 1, 2023

(a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- I. estimates of future cash flows;
- II. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- III. A risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

I. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

II. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

III. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

VI. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment 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.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes 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.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses that there will be no significant impact on the Company's financial statements then.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2020 and 2019 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2)Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3)Foreign currency transactions

The Company’s parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD).

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (A)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(B) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

(C) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Current and non-current distinction

An asset is classified as current when:

- (A) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (B) The Company holds the asset primarily for the purpose of trading.
- (C) The Company expects to realize the asset within twelve months after the reporting period.
- (D) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (A) The Company expects to settle the liability in its normal operating cycle.
- (B) The Company holds the liability primarily for the purpose of trading.
- (C) The liability is due to be settled within twelve months after the reporting period.
- (D) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(6) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease payments receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement 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. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(8) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress – Including cost of direct materials, labor and a proportion of manufacturing overheads excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(9) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

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Notes to Parent-Company-Only Financial Statements (Continued)

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The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	14~46 years
Machinery and equipment	5~15 years
Other equipment	6~21 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The asset’s residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	14~46 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) The right to obtain substantially all of the economic benefits from use of the identified asset;
- and
- (b) The right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Patent

Patent is the authorized right from acquiring or purchasing.

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Patents</u>
Useful economic life	20 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Treasury stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

The Company's revenue arising from contracts with customers mainly includes sale of goods. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is OLED and revenue is recognized based on the consideration stated in the contract. The Company recognized an allowance for sale return and discount shall be presented under the caption of refund liabilities within other current liabilities when partial or all considerations received might be returned or a chargeback is expected to occur.

The credit period of the Company's sale of goods is from T/T to 30~90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Company transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's parent-company-only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(21)Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized according.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent-company-only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent-company-only financial statements:

A. Investment properties

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment.

B. Operating lease commitment-Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key source of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are discussed below.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Accounts receivables-estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

B. Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details about unrecognized deferred tax assets as at December 31, 2020.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2020	2019
Cash and petty cash	\$472	\$206
Checkings and savings	149,111	218,080
Time deposits	306,500	346,591
Resale agreements collateralized by bonds	363,278	-
Total	<u>\$819,361</u>	<u>\$564,877</u>

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

	As of December 31,	
	2020	2019
Mandatorily measured at fair value through profit or loss:		
Listed companies stocks	\$95,149	\$9,872
Unlisted companies stocks	29,997	-
Money market fund	-	2,003
Valuation adjustment	(2,992)	1,104
Total	<u>\$122,154</u>	<u>\$12,979</u>
Current	\$122,154	\$12,979
Non-current	-	-
Total	<u>\$122,154</u>	<u>\$12,979</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

No financial assets at fair value through profit or loss was pledged as collateral.

(3) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2020	2019
Equity instruments investments measured at fair value through other comprehensive income - Current:		
Unlisted company stocks	\$17,606	\$28,477
Valuation adjustment	(5,092)	(2,240)
Total	<u>\$12,514</u>	<u>\$26,237</u>
Current	\$12,514	\$26,237
Non-current	-	-
Total	<u>\$12,514</u>	<u>\$26,237</u>

No financial assets at at fair value through other comprehensive income was pledged as collateral.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follow:

	For the year ended December 31,	
	2020	2019
Related to investments held at the end of the reporting period	\$830	\$1,754
Related to investments derecognized during the period	19	-
Dividends recognized during the period	<u>\$849</u>	<u>\$1,754</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In consideration of the Company's investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2020 and 2019 are as follow:

	For the year ended December 31,	
	2020	2019
The fair value of the investments at the date of derecognition	\$15,581	\$8,624
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	\$235	\$741

(4) Financial assets measured at amortized cost

	As of December 31,	
	2020	2019
Restricted deposits	\$9,213	\$9,021
Time deposits over 3 months	-	29,956
Total	\$9,213	\$38,977
Current	\$-	\$29,956
Non-current	9,213	9,021
Total	\$9,213	\$38,977

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(5) Accounts receivable, net

	As of December 31,	
	2020	2019
Accounts receivable, gross	\$269,089	\$223,248
Less: loss allowance	(4,442)	(168)
Net of allowances	\$264,647	\$223,080

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2020 and 2019, are NT\$269,089 thousand and NT\$223,248 thousand, respectively. Please refer to Note 6(20) for more details on loss allowance of accounts receivable for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(6)Inventory

	As of December 31,	
	2020	2019
Finished goods	\$907	\$1,067
Semi-finished goods and Work in process	16,898	30,265
Raw materials	40,717	32,823
Total	\$58,522	\$64,155

For the years ended December 31, 2020 and 2019, the Company recognized NT\$1,141,460 thousand and NT\$1,320,521 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
	2020	2019
Loss from inventory market decline	\$8,600	\$1,000

The inventories were not pledged.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Investments accounted for under equity method

Investee Companies	As of December 31,			
	2020		2019	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:				
Ritfast Corporation	\$-	-%	\$-	-%
Pvnext Corporation	3,447	4.31%	3,447	4.31%
Luminit Automotive Technology Corporation	27,241	31.03%	32,111	31.03%
Accumulated impairment	(3,447)		(3,447)	
Subtotal	27,241		32,111	
Investments in subsidiaries:				
Newrit Asset Co., Ltd.	55,214	78.74%	55,118	100.00%
Cashido Corporation	52,176	78.66%	47,601	78.66%
Subtotal	107,390		102,719	
Total	\$134,631		\$134,830	

Investments in associates are not material to the Company. The associate's summarized financial information presented to the carrying amount of the Company's interest in the associate:

	For the year ended December 31,	
	2020	2019
Profit (loss) in current period	\$(4,870)	\$378
Other comprehensive income (net of tax)	-	-
Total comprehensive income	\$(4,870)	\$378

The Company's investments accounted for under equity method were based on audited financial statements.

The Company invested cash in Luminit Automotive Technology Corporation for interest ownership of 31.03% in February and September 2019 respectively, with amounting NT\$30,000 thousand and 1,350 thousand shares. The investment is accounted for as an investment in associates.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In September 2019, the Company disposed the shares of Ritfast Corporation at a price of NT\$51,998 thousand with NT\$11.25 per share and recognized gain on disposal NT\$9,040 thousand.

In April 2019, the Company invested in NT\$55,000 thousand to set up Newrit Asset Co., Ltd. which is 100% held and the registration was also completed. In addition, the Company did not participate capital increase of Newrit Asset Co., Ltd. in December 2020, therefore the Company's share interest decreased to 78.74%

The Company invested in Cashido Corporation for interest ownership of 78.66% with amounted NT\$40,996 thousand in May, August and September 2019 respectively.

Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method. Valuation adjustment is made if deemed necessary.

The associated had no contingent liabilities or capital commitments and were not pledged as collateral as of December 31, 2020 and 2019, respectively.

(8)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
As of 1/1/2020	\$471,901	\$2,177,516	\$6,138,556	\$194,900	\$-	\$8,982,873
Addition	-	-	9,468	-	-	9,468
Disposals	-	(970)	(1,315,813)	(18,578)	-	(1,335,361)
Transfer	-	(123,773)	-	-	-	(123,773)
As of 12/31/2020	\$471,901	\$2,052,773	\$4,832,211	\$176,322	\$-	\$7,533,207

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
As of 1/1/2019	\$471,901	\$2,177,516	\$6,108,415	\$206,580	\$-	\$8,964,412
Addition	-	-	61,533	-	-	61,533
Disposals	-	-	(31,392)	(11,680)	-	(43,072)
Transfer	-	-	-	-	-	-
As of 12/31/2019	\$471,901	\$2,177,516	\$6,138,556	\$194,900	\$-	\$8,982,873
Depreciation and impairment:						
As of 1/1/2020	\$-	\$1,610,533	\$5,469,832	\$192,718	\$-	\$7,273,083
Depreciation	-	19,122	79,937	587	-	99,646
Impairment loss	-	-	7,512	834	-	8,346
Disposal	-	(911)	(1,314,152)	(18,049)	-	(1,333,112)
Transfer	-	(91,252)	-	-	-	(91,252)
As of 12/31/2020	\$-	\$1,537,492	\$4,243,129	\$176,090	\$-	\$5,956,711
As of 1/1/2019	\$-	\$1,590,242	\$5,424,431	\$203,469	\$-	\$7,218,142
Depreciation	-	20,291	76,793	855	-	97,939
Disposal	-	-	(31,392)	(11,606)	-	(42,998)
Transfer	-	-	-	-	-	-
As of 12/31/2019	\$-	\$1,610,533	\$5,469,832	\$192,718	\$-	\$7,273,083
Net carrying amount:						
As of 12/31/2020	\$471,901	\$515,281	\$589,082	\$232	\$-	\$1,576,496
As of 12/31/2019	\$471,901	\$566,983	\$668,724	\$2,182	\$-	\$1,709,790

A. In April 2020, NT\$8,346 thousand impairment loss represented the write down of certain property, plant and equipment to the recoverable amount. This has been recognized in the statement of comprehensive income.

B. Please refer to Note 8 for more details on property, plant and equipment under pledge.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Significant component of main building, fire engineering equipment, sewage treatment equipment and cleanroom are depreciated over useful lives of 46 years and 14~20 years, respectively.

(9) Investment property

	<u>Buildings</u>
Cost:	
As of January 1, 2020	\$799,151
Transfers from property, plant and equipment	123,773
As of December 31, 2020	<u>\$922,924</u>
As of January 1, 2019	\$799,151
Transfers from property, plant and equipment	-
As of December 31, 2019	<u>\$799,151</u>
Depreciation and impairment:	
As of January 1, 2020	\$589,573
Depreciation	8,640
Transfers from property, plant and equipment	91,252
As of December 31, 2020	<u>\$689,465</u>
As of January 1, 2019	\$582,092
Depreciation	7,481
As of December 31, 2019	<u>\$589,573</u>
Net carrying amount:	
As of December 31, 2020	<u>\$233,459</u>
As of December 31, 2019	<u>\$209,578</u>

	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Rental income from investment property	\$63,758	\$49,948
Less: Direct operating expenses from investment property generating rental income	(8,640)	(7,481)
Total	<u>\$55,118</u>	<u>\$42,467</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 8 for more details on investment property under pledge.

Investment property held by the Company are not measured at the fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties was NT\$748,298 thousand and NT\$557,293 thousand as of December 31, 2020 and 2019, respectively. The fair value of investment properties had been determined based on the recent transaction price of comparatively similar objects where each investment property is located in.

(10)Intangible assets

	<u>Patents</u>	
Cost:		
As of December 31, 2020		<u>\$500,000</u>
As of December 31, 2019		<u>\$500,000</u>
Amortization and impairment:		
As of January 1, 2020		\$453,800
Amortization		19,117
As of December 31, 2020		<u>\$472,917</u>
As of January 1, 2019		\$434,682
Amortization		19,118
As of December 31, 2019		<u>\$453,800</u>
Net carrying amount:		
As of December 31, 2020		<u>\$27,083</u>
As of December 31, 2019		<u>\$46,200</u>
	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$-	\$-
Operating expenses	19,117	19,118
Total	<u>\$19,117</u>	<u>\$19,118</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Other non-current assets

	As of December 31,	
	2020	2019
Prepayment in equipment	\$3,929	\$9,230

(12) Short-term loans

	As of December 31,	
	2020	2019
Bank loans	\$142,153	\$145,390
Interest Rate (%)	0.84%~1.30%	0.95%~3.35%

As of December 31, 2020 and 2019, the lines of unused short-term loans credit for the Company amounted to NT\$267,847 thousand and NT\$384,610 thousand, respectively.

Assets were not pledged for the short-term loans.

(13) Financial liabilities at fair value through profit or loss

There is no embedded derivative financial instruments on bonds payable as of December 31, 2019.

	As of December 31,
	2020
Financial liabilities at fair value through profit or loss	
Embedded derivatives – Non-current	\$385

The embedded derivative financial instruments (the issuer's redemption and the holder's put options) on the bonds payable which amounted to NT\$385 thousand was recognized as non-current financial liabilities at fair value through profit or loss as of December 31, 2020.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(14) Bonds payable

There is no bonds payable as of December 31, 2019.

A. Details of bonds payable:

	<u>As of December 31,</u> <u>2020</u>
Liability component:	
Principal amount	\$349,900
Discounts on bonds payable	<u>(19,521)</u>
Subtotal	330,379
Less: current portion	<u>-</u>
Net	<u><u>\$330,379</u></u>
Embedded derivative financial instruments	<u><u>\$(385)</u></u>
Equity component-conversion rights	<u><u>\$16,865</u></u>

For the details of the gain or loss from valuation through profit or loss on embedded derivative financial instruments and the interest expense on the convertible bonds payable, please refer to Note 6 (23).

B. On June 4, 2020, the Company's board of directors' meetings resolved to issued first unsecured convertible bonds. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1090347186. The terms of the bonds are as follows:

- (a) Issue date: July 17, 2020
- (b) Issue amount: NT\$350,000
- (c) Issue price: Issued at par value
- (d) Coupon rate: 0%
- (e) Secured or unsecured: Unsecured bonds
- (f) Period: From July 17, 2020 to July 17, 2023

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(g) Terms of Conversion:

i. Conversion period:

The bondholders will have the right to convert their bonds at any time during the conversion period commencing October 18, 2020 (the 3 months following the issuing date) to July 17, 2023 (the maturity date). However, the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or subscription of new shares due to capital increase to the date ending on (and including) such record date; (iii) the period beginning on the record date of a capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction.

ii. Conversion price and adjustment:

The conversion price was originally at NT\$50.80 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

iii. Redemption on the maturity date:

The Company will redeem the bonds in cash if the convertible bonds were not settled by the maturity date.

(h) Redemption option of the issuer

The Company may redeem the convertible bonds at the par value of convertible bonds and pay in cash, from three months after bond issued October 18, 2020 to 40 days before maturity date (June 7, 2023) in the following events:

(i) The Company's closing price of common shares is over 30% above the convertible price for 30 consecutive trading days.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(ii) The total value of outstanding convertible bonds becomes less than 10% of the total principal.

(i) Put option of the holder

The bondholders can execute put option after two years from issuance date (July 17, 2022). The Company should send through registered mail the “Notification of bondholder’s put option” 40 days before the put option base date (June 7, 2022). OTC (Over the Counter) should be notified by the Company and should announce the bondholder’s put option; a written notification should be sent to the share transfer agent by bondholders 30 days before the put option base date (June 17, 2022). The put value is 101% of the par value (the year yield is 0.5%). After accepting the put request, the Company should redeem the bonds by cash within 5 business days after the put option base date.

(15) Long-term loans

	As of December 31,	
	2020	2019
Syndicated loans	\$450,000	\$760,000
Bank loans	125,582	229,012
Subtotal	575,582	989,012
Less: arrangement fee	(1,599)	(3,841)
Less: current portion	(215,559)	(254,206)
Non-current portion	\$358,424	\$730,965
Interest Rate (%)	1.750%~1.8421%	1.800%~2.395%

A. The Company signed the 13-year guarantee financing commitment contract of NT\$9.1 billion with joint credit syndicate led by Bank of Taiwan in June 2002. The main commitments of above joint credit case are as follows:

Except for 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,

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

loan, lease or other disposal of all or substantial part of the assets, or in the case of material change of business or undertaking.

The Company 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, the Company was exempted for the test to above financial ratio and the tangible net worth commitment, and 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 Company 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), the Company was exempted for the test to above financial ratio commitment, and also agreed to pay compensation calculated on 0.15% of the outstanding principal to the joint credit syndicate at the end of the year.

Besides, the Company signed the credit contract of NT\$1.5 billion with the joint credit syndicate led by 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 turnover, with the loan period from August 15, 2016 to August 15, 2021, and the payment term is to pay the first installment payment after 6 months from the date of the first use, then every 6 months as one installment, to pay back in 10 installments averagely. The Company repaid in advance in February 2019.

- B. The Company signed the 5-year guarantee financing commitment contract of NT\$ 1.8 billion with joint credit syndicate led by Bank of Taiwan in December 2018.

The financial commitment to above 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 thousand.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The above ratio and standard shall be checked every six months according to the financial reports of the year (half year) audited (reviewed) by the independent auditors. The financial ratio as of December 31, 2020 and 2019 was satisfactory to the regulations of syndicated loan contract granted by preceding united banking group.

C. The remaining loan repayment period starts from 2017 to 2024 by stages.

D. Please refer to Note 8 for more details on assets pledged for long-term loans.

(16) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2020 and 2019 were NT\$7,301 thousand and NT\$7,950 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Company amounted to NT\$3,461 thousand and NT\$4,326 thousand for the years ended December 31, 2020 and 2019, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$794 to its defined benefit plan during the 12 months beginning after December 31, 2020.

As of December 31, 2020 and 2019, the maturities of the Company's defined benefit plan were both expected in 2031.

Pension costs recognized in profit or loss is as follows:

	For the year ended December 31,	
	2020	2019
Current period service costs	\$432	\$307
Net interest expense (income)	(301)	(405)
Total	\$131	\$(98)

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation in the defined benefit obligation and fair value of plan assets are as follows:

	As of December 31,	
	2020	2019
Defined benefit obligation	\$56,275	\$52,644
Plan assets at fair value	(39,078)	(36,738)
Other non-current liabilities-net defined benefit liability	\$17,197	\$15,906

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2019	\$26,971	\$(35,546)	\$(8,575)
Current period service costs	307	-	307
Net interest expense (income)	-	(405)	(405)
Subtotal	307	(405)	(98)
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in financial assumptions	2,598	-	2,598
Experience adjustments	23,966	-	23,966
Re-measurement on defined benefit assets	-	(1,191)	(1,191)
Subtotal	26,564	(1,191)	25,373
Payment from the plan	(1,198)	1,198	-
Contributions by employer	-	(794)	(794)
As of December 31, 2019	52,644	(36,738)	15,906
Current period service costs	432	-	432
Net interest expense (income)	-	(301)	(301)
Subtotal	432	(301)	131

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(412)	-	(412)
Actuarial gains and losses arising from changes in financial assumptions	3,571	-	3,571
Experience adjustments	40	-	40
Re-measurement on defined benefit assets	-	(1,245)	(1,245)
Subtotal	3,199	(1,245)	1,954
Contributions by employer	-	(794)	(794)
As of December 31, 2020	\$56,275	\$(39,078)	\$17,197

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2020	2019
Discount rate	0.38%	0.82%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis:

	For the year ended December 31,			
	2020		2019	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased 0.5%	\$-	\$(3,993)	\$-	\$(3,984)
Discount rate decreased 0.5%	4,426	-	4,434	-
Expected salary increased 0.5%	4,286	-	4,314	-
Expected salary decreased 0.5%	-	(3,915)	-	(3,922)

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years.

(17)Equity

A. Common stock

As of December 31, 2020 and 2019, the Company's authorized capital were NT\$10,000,000 thousand, and paid-in capital were NT\$676,301 thousand, each share at par value of NT\$10, divided into 67,630 thousand shares. Each share except treasury stock has one voting right and a right to receive dividends.

A resolution was passed at a board of directors meeting of the Company held on November 28, 2018 to issue up to 7,520 thousand shares of stock with a par value of NT\$10 per share as public offering at premium price. The weighted average price of auction was NT\$72.33 per share and the public offering price was NT\$60 per share. Paid-in capital were NT\$676,301 thousand after capital increased. The proposal of cash capital increase was effectively registered by Taiwan Stock Exchange on December 10, 2018. The base date of capital increase was January 15, 2019.

For the year ended December 31, 2020, the unsecured convertible bonds in amount of NT\$100 thousand was applied to convert into common stock NT\$19 thousand, divided into 2 thousand shares, each share at par value of NT\$10. However, 2 thousand shares of convertible bonds which did not convert into common shares yet, were recognized as bond conversion entitlement certificates as of December 31, 2020.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Capital surplus

	As of December 31,	
	2020	2019
Additional paid-in capital	\$545,717	\$545,637
Changes in interests in subsidiaries	76	-
Differences between consideration given and carrying amount of interests in subsidiaries acquired	1,379	1,379
Share of changes in net assets of associates and joint ventures accounted for using equity method	1,512	1,512
Expired employee stock option	4,462	4,462
Conversion right	16,865	-
Total	\$570,011	\$552,990

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury stock

There is no treasury stock as of December 31 2019.

Treasury stock amounted to NT\$51,486 thousand and 1,000 thousand shares, as of December 31, 2020.

The movement schedule of treasury stock for the year ended December 31, 2020 was as below (in thousand shares):

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the year ended December 31, 2020</u>				
Transfer to employees	-	1,000	-	1,000

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Securities and Exchange Law of the R.O.C., total treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends. In addition, the shares bought back should be transferred within five years from the date of buy back. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed.

D. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- I. Payment of all taxes and dues;
- II. Offset prior years' operation losses;
- III. Set aside 10% of the remaining amount as legal reserve.
- IV. Set aside or reverse special reserve in accordance with law and regulations; and
- V. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy shall be determined pursuant to the factors, such as the investment environment, capital requirement, domestic and overseas competition environment, current and future business development plan, shareholders' interests and long-term financial planning. The distribution of shareholders' dividend shall be not lower than 10% of the distributable current-year earnings. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 10% of the paid-in capital. The dividend can be distributed by cash, stock or both while 0%~90% of total dividends shall be in stock and 10%~100% of total dividends shall be in cash.

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total paid-in capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the Taiwan FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Company does not need to set aside any special reserve due to the first application of IFRS.

The appropriations of earnings for the years 2020 and 2019 were approved through the Board of Directors' meetings and shareholders' meetings held on March 25, 2021 and June 11, 2020, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2020	2019	2020	2019
Legal reserve	\$19,976	\$5,092		
Special reserve	2,853	1,385		
Cash dividend	200,676	23,670	\$3.0	\$0.35

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 6(22) for details on employees' compensation and remuneration to directors and supervisors.

(18) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees

On November 28, 2018, the board of directors' meetings resolved to increase capital which retain 752 thousand shares for employees to subscribe at a price of NT\$60 per share.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT\$)
November 28, 2018	752,000	\$60

The following table contains further details on the aforementioned share-based payment plan:

	For the year ended December 31,	
	2019	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	-	\$-
Granted	752,000	60
Exercised at end of period	(571,000)	(60)
Expired at end of period	(181,000)	(60)
Outstanding at end of period	-	

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2019	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)
For share options granted during the period, weighted average fair value of those options at the measurement date (NT\$)	\$13.84	
Weighted average of stock price at the option exercise date	\$73.84	

B. The expense recognized for employee services received is shown in the following table:

	For the year ended December 31, 2019
Total expense arising from equity-settled share-based payment transactions	<u>\$10,408</u>

(19) Operating revenue

	For the year ended December 31,	
	2020	2019
Revenue from customer contracts		
Sales of goods	\$1,533,533	\$1,560,891
Other operating revenue	8,895	8,751
Total	<u>\$1,542,428</u>	<u>\$1,569,642</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Analysis of revenue from contracts with customers during the years ended December 31, 2020 and 2019 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2020	2019
	Single department	Single department
Sales of goods	\$1,542,428	\$1,569,642
The timing for revenue recognition:		
At a point of time	\$1,542,428	\$1,569,642

B. Contract balances

(a) Contract liabilities – current

	As of December 31,	
	2020	2019
Sales of goods	\$3,189	\$3,287

The changes in the Company's balances of contract liabilities for the years ended December 31, 2020 and 2019 are as follows:

	For the year ended December 31,	
	2020	2019
The opening balance transferred to revenue	\$(3,287)	\$(2,947)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	3,189	3,287

C. Assets recognized from costs to fulfil a contract

None.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(20) Expected credit losses/ (gains)

	For the year ended December 31,	
	2020	2019
Operating expenses – Expected credit losses/(gains)		
Accounts receivable	\$4,274	\$823

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2020 and 2019 are as follows:

- A. The Company considers the grouping of accounts receivable by counterparties' credit rating, geographical region and industry sector and its loss allowance is measured by using a provision matrix. Details are as follows:

As of December 31, 2020

	Not yet due	Overdue						Total
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	>=150 days	
Gross carrying amount	\$194,231	\$58,032	\$5,798	\$-	\$-	\$-	\$11,028	\$269,089
Loss ratio	-%	-%	-%	-%	-%	-%	40%	
Lifetime expected credit losses	-	-	-	-	-	-	(4,442)	(4,442)
Carrying amount of accounts receivable	\$194,231	\$58,032	\$5,798	\$-	\$-	\$-	\$6,586	\$264,647

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2019

	Not yet due	Overdue						Total
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	>=150 days	
Gross carrying amount	\$120,984	\$87,028	\$14,514	\$237	\$485	\$-	\$-	\$223,248
Loss ratio	-%	-%	-%	10%	30%	-%	-%	
Lifetime expected credit losses	-	-	-	(23)	(145)	-	-	(168)
Carrying amount of accounts receivable	\$120,984	\$87,028	\$14,514	\$214	\$340	\$-	\$-	\$223,080

B. The movement in the provision for impairment of accounts receivable during the years ended December 31, 2020 and 2019 are as follows:

	Accounts receivable
Beginning balance as of January 1, 2020	\$168
Addition for the current period	4,274
Ending balance as of December 31, 2020	\$4,442
	Accounts receivable
Beginning balance as of January 1, 2019	\$2,000
Addition for the current period	823
Write off	(2,655)
Ending balance as of December 31, 2019	\$168

(21) Leases

A. Company as a lessee

The Company's significant component of leasing properties is buildings, which have terms of 2 years.

On April 1, 2020, the Company terminate lease in advance. Right of use assets and lease liabilities were NT\$0 as of December 31, 2020.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The effect of leases on the Company's financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

	As of December 31,	
	2020	2019
Buildings	\$-	\$7,029

II. Lease liabilities

	As of December 31,	
	2020	2019
Lease liability-related parties	\$-	\$7,098
Current	\$-	\$7,098
Non-current	-	-
Total	\$-	\$7,098

Please refer to Note 6(23)(C) for the interest on lease liability recognized during for the years ended December 31, 2020 and 2019 and refer to Note 12(5) for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the year ended December 31,	
	2020	2019
Buildings	\$1,757	\$7,029

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Income and costs relating to leasing activities

	For the year ended December 31,	
	2020	2019
The expense relating to short-term leases (rent expenses)	\$-	\$247
The expenses relating to variable lease payments not included in the measurement of lease liabilities	691	835
Total	\$691	\$1,082

(d) Cash outflow relating to leasing activities

	For the year ended December 31,	
	2020	2019
Cash outflow for leases	\$2,481	\$8,244

(e) Other information relating to leasing activities

Variable lease payments

The Company has rented some roofs of buildings 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 6 ~7.5 thousand rent will be incurred per additional NT\$100 thousand of power sales revenue.

B. Company as a lessor

Please refer to Note 6(9) for details on the Company's owned investment properties. The Company has entered leases on plants and commercial building. These leases have terms of between 1 and 5 years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2020	2019
Lease income recognized under operating lease		
Income relating to fixed lease payments	\$75,880	\$67,073

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2020 and 2019 are as follows:

	For the year ended December 31,	
	2020	2019
Less than one year	\$66,004	\$52,926
More than one year but less than five years	191,182	149,404
More than five years	127,455	149,404
Total	\$384,641	\$351,734

(22) Summary statement of employee benefits, depreciation and amortization by function:

Function Nature	For the year ended December 31,					
	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salaries & wages	\$89,894	\$87,919	\$177,813	\$94,153	\$98,407	\$192,560
Labor and health insurance	9,882	5,022	14,904	12,227	5,225	17,452
Pension	4,864	6,029	10,893	5,502	6,676	12,178
Directors' remuneration	-	15,982	15,982	-	1,877	1,877
Other employee benefit	3,566	2,574	6,140	4,598	2,845	7,443
Depreciation(Note 1)	94,519	15,524	110,043	92,837	19,612	112,449
Amortization	-	19,117	19,117	-	19,118	19,118

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 1 : Including recognized as other gains and losses.

Note 2 : The average headcounts per month of the Company amounted to 220 and 280 for the years ended December 31, 2020 and 2019, respectively, of which 7 and 8 directors were not employees.

Note 3: Companies who have been listed on Taiwan Stock Exchange or Taiwan Over - The Counter Securities Exchange should disclose the following information:

(1) Average employee benefits of 2020 and 2019 are NT\$985 thousand and NT\$844 thousand respectively.

(2) Average salaries of 2020 and 2019 are NT\$835 thousand and NT\$708 thousand respectively.

(3) Changes in average salaries are 18%.

(4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.

(5) The salary and remuneration policy of the Company:

Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, and years of experience and their KPI. Employees' annual salaries are also adjusted based on the Company's condition to motivate and retain outstanding employees.

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 employees' compensation and no more than 5% as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Based on profit of the year ended December 31, 2020, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to NT\$9,691 thousand (3.50%) and NT\$6,922 thousand (2.50%), respectively. And employees' compensation and remuneration to directors for the year ended December 31, 2019 amounted to NT\$2,411 thousand (3.00%) and NT\$1,601 thousand (1.99%), respectively. The aforementioned employees' compensation and remuneration to directors were recognized as employee benefit expense.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$9,691 thousand and NT\$6,922 thousand, respectively, in a meeting held on March 25, 2021. No differences exist between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended December 31, 2020.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$2,411 thousand and NT\$1,607 thousand, respectively, in a meeting held on March 16, 2020. The NT\$6 thousand differences between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended December 31, 2019, were recognized as gain or loss in the next year.

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(23) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2020	2019
Interest income		
Financial assets measured at amortized cost	\$2,904	\$14,959
Rental income	75,880	67,073
Other income	30,813	12,032
Dividend income	1,448	2,206
Total	\$111,045	\$96,270

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Other gains and losses

	For the year ended December 31,	
	2020	2019
Gains on disposal of property, plant and equipment	\$5,586	\$7,430
Gains on disposal of investments	15,404	8,311
Foreign exchange losses	(13,707)	(9,097)
Gains (losses) on financial assets at fair value through profit or loss	(3,362)	4,978
Gain on lease modification	64	-
Impairment losses	(8,346)	-
Other losses	(12,169)	(14,421)
Total	<u>\$ (16,530)</u>	<u>\$ (2,799)</u>

C. Finance costs

	For the year ended December 31,	
	2020	2019
Interest on bank loans	\$16,323	\$23,873
Interest on bonds payable	3,463	-
Interest on lease liabilities	28	202
Imputed interest on deposit	141	123
Total	<u>\$19,955</u>	<u>\$24,198</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(24) Components of other comprehensive income

For the year ended December 31, 2020

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefit plans	\$(1,954)	\$-	\$(1,954)	\$(5,075)	\$(7,029)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(2,617)	-	(2,617)	-	(2,617)
Total	\$(4,571)	\$-	\$(4,571)	\$(5,075)	\$(9,646)

For the year ended December 31, 2019

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefit plans	\$(25,373)	\$-	\$(25,373)	\$5,075	\$(20,298)
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(644)	-	(644)	-	(644)
Total	\$(26,017)	\$-	\$(26,017)	\$5,075	\$(20,942)

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(25) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current income tax expense (income):		
Current income tax expense	\$1,907	\$5,905
Adjustments in respect of current income tax of prior periods	(989)	(484)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(749)	913
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	93,096	353,406
Deferred tax expense arising from write-down or reversal of deferred tax assets	(39,539)	(334,319)
Total income tax expense	<u>\$53,726</u>	<u>\$25,421</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Accounting profit before tax from continuing operations	<u>\$260,280</u>	<u>\$76,347</u>
Tax payable at the enacted tax rates	\$52,056	\$15,269
Tax effect of expenses not deductible for tax purposes	(7,520)	(3,621)
Tax effect of deferred tax assets/liabilities	8,273	8,354
Surtax on undistributed earnings	61	5,270

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2020	2019
Adjustment in respect of current income tax of prior periods	(989)	(484)
Other adjustments according to the Tax Law	1,845	633
Total income tax recognized in profit or loss	<u>\$53,726</u>	<u>\$25,421</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2020
Temporary differences				
Unrealized exchange loss (gain)	\$190	\$(683)	\$-	\$(493)
Unrealized loss on inventory valuation	1,200	1,720	-	2,920
Expected credit losses	(85)	435	-	350
Unrealized intragroup profits and losses	1,921	(1,414)	-	507
Net defined benefit asset	4,676	692	-	5,368
Unused tax losses	325,321	(53,558)	-	271,763
Remeasurement of defined benefit plan	5,075	-	(5,075)	-
Deferred tax(expense)/ income		<u>\$(52,808)</u>	<u>\$(5,075)</u>	
Net deferred tax assets/(liabilities)	<u>\$338,298</u>			<u>\$280,415</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$338,383</u>			<u>\$280,908</u>
Deferred tax liabilities	<u>\$(85)</u>			<u>\$(493)</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2019
Temporary differences				
Unrealized exchange loss (gain)	\$754	\$(564)	\$-	\$190
Unrealized loss on inventory valuation	1,000	200	-	1,200
Expected credit losses	(85)	-	-	(85)
Unrealized intragroup profits and losses	3,336	(1,415)	-	1,921
Net defined benefit asset	3,810	866	-	4,676
Unused tax loss	344,408	(19,087)	-	325,321
Remeasurement of defined benefit plan	-	-	5,075	5,075
Deferred tax(expense)/ income		<u>\$(20,000)</u>	<u>\$5,075</u>	
Net deferred tax assets/(liabilities)	<u>\$353,223</u>			<u>\$338,298</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$353,308</u>			<u>\$338,383</u>
Deferred tax liabilities	<u>\$(85)</u>			<u>\$(85)</u>

Unused tax loss information of the Company is summarized as below:

Occurrence year	Accumulated net operating losses	Unused balance		Expiration Year
		As of December 31, 2020	2019	
2010	\$465,480	\$-	\$465,480	2020
2011	394,751	394,751	394,751	2021
2012	245,887	245,887	245,887	2022
2013	513,187	513,187	513,187	2023
2014	303,602	303,602	303,602	2024
Total	<u>\$1,922,907</u>	<u>\$1,457,427</u>	<u>\$1,922,907</u>	

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Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Unrecognized deferred income tax assets

As of December 31, 2020 and 2019, deferred tax assets that have not been recognized amounted to NT\$23,790 thousand and NT\$63,528 thousand, respectively.

B. The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company have been approved up to the year of 2018.

(26) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

A. Basic earnings per share

	For the year ended December 31,	
	2020	2019
Net income attributable to common shareholders of the Company	\$206,554	\$50,926
Weighted average number of common stocks outstanding (in thousand shares)	67,560	67,321
Basic earnings per share (in NT\$)	\$3.06	\$0.76

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Diluted earnings per share

	For the year ended December 31,	
	2020	2019
Net income attributable to common shareholders of the Company	\$206,554	\$50,926
Interest expense on convertible bonds	3,463	-
Valuation adjustment of financial liabilities at fair value through profit or loss	(735)	-
Net income attributable to common shareholders of the Company after dilution	<u>\$209,282</u>	<u>\$50,926</u>
Weighted average number of common stocks outstanding for basic earnings per share (in thousand shares)	67,560	67,321
Effect of dilution:		
Employees' compensation - stock (in thousand shares)	196	88
Convertible bonds (in thousand shares)	3,162	-
Weighted average number of common stocks outstanding after dilution (in thousand shares)	<u>70,918</u>	<u>67,409</u>
Diluted earnings per share (NT\$)	<u>\$2.95</u>	<u>\$0.76</u>

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Related parties</u>	<u>Relationship</u>
Ritek Corporation	Ultimate parent company
Echem Hightech Co., Ltd.	Ultimate parent company's associate (The ultimate parent company sold the shares in June, 2019)
U-tech Media Corporation	Ultimate parent company's associate
Kunshan Hutek Co., Ltd.	Ultimate parent company's associate
Aimcore Technology Co., Ltd.	Ultimate parent company's associate
Ritfast Corporation	Ultimate parent company's associate
Zhongyuan International Venture Capital Co., Ltd.	Ultimate parent company's associate
Ritedia Corporation	Ultimate parent company's associate
Ritek Foundation	Ultimate parent company's associate
Luminit Automotive Technology Corporation	Associate
Formosa Sun Energy Corp.	Ultimate parent company's associate
Finesil Technology Inc.	Ultimate parent company's associate
Newrit Asset Co., Ltd.	Subsidiary
Cashido Corporation	Subsidiary

Significant transactions with related parties

A. Sales

	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary	<u>\$1</u>	<u>\$-</u>

The sales price to related parties was determined based on normal market terms. The collection terms for related parties were 90 days after monthly closing while 30~90 days after monthly closing for third parties.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Purchases

	For the year ended December 31,	
	2020	2019
Associate	\$-	\$35
Kunshan Hutek Co., Ltd.	212,306	270,447
Other related parties	1	1,120
Total	<u>\$212,307</u>	<u>\$271,602</u>

As the specifications of merchandise purchased from the related parties are different from those from other third-party companies, the purchasing prices were not comparable. Payment terms for related parties were 90 days after monthly closing while 30~90 days after monthly closing for third parties.

C. Other receivables - related parties

	As of December 31,	
	2020	2019
Parent company	\$13	\$-
Subsidiary	300	519
Associate	32	-
Kunshan Hutek Co., Ltd.	-	388
Other related parties	133	893
Total	<u>\$478</u>	<u>\$1,800</u>

D. Accounts payable - related parties

	As of December 31,	
	2020	2019
Parent company	\$192	\$-
Kunshan Hutek Co., Ltd.	153,395	133,103
Other related parties	1	-
Total	<u>\$153,588</u>	<u>\$133,103</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Other payables - related parties

	As of December 31,	
	2020	2019
Parent company	\$4,423	\$1,989
Subsidiary	75	79
Other related parties	482	1,386
Total	\$4,980	\$3,454

F. Temporary payments - related parties (Other current assets)

	As of December 31,	
	2020	2019
Other related parties	\$5	\$-

G. Lease-related parties

(a) Lease payments (Rental expense)

	For the year ended December 31,	
	2020	2019
Aimcore Technology Co., Ltd.	\$1,791	\$7,408
Other related parties	135	110
Total	\$1,926	\$7,518

The Company leases plant and equipment from Aimcore Technology Co., Ltd. which both paid NT\$597 thousand monthly during the years ended December 31, 2020 and 2019. However, The Company terminated lease in advance in April 1, 2020.

(b) Rental income

	For the year ended December 31,	
	2020	2019
Aimcore Technology Co., Ltd.	\$2,781	\$3,001
Other related parties	248	124
Total	\$3,029	\$3,125

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Right-of-use assets

	As of December 31,	
	2020	2019
Aimcore Technology Co., Ltd.	\$-	\$7,029

(d) Lease liabilities - current

	As of December 31,	
	2020	2019
Aimcore Technology Co., Ltd.	\$-	\$7,029

(e) Interest expenses

	For the year ended December 31,	
	2020	2019
Aimcore Technology Co., Ltd.	\$28	\$202

H. Operating expense

Related parties	Nature	For the year ended December 31,	
		2020	2019
Parent company	Information system maintenance and other expense etc.	\$5,047	\$3,254
Subsidiary	Processing expense and other expense etc.	433	414
Associate	Other expense etc.	-	101
Other related parties	Manpower support and other expense etc.	921	103
Total		\$6,401	\$3,872

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

I. Other income

	For the year ended December 31,	
	2020	2019
Parent company	\$13	\$-
Subsidiary	300	180
Associate	135	480
Other related parties	523	101
Total	\$971	\$761

J. Transation of assets

Details of property transation with related parties were as follows :

Related parties	Items	Purchase/sell price	Reference basis for price decision
<u>2020</u>			
Other related parties	Purchase of Machinery	\$3,106	Bidding
<u>2019</u>			
Parent company	Purchase of Machinery	\$8,836	Bidding
Other related parties	Purchase of Cashido Corporation shares	26,221	Bidding and reference to the net equity
Other related parties	Sell shares of Ritfast Corporation	51,998	Bidding and reference to the net equity

The Company sold all the shares of Ritfast Corporation in 2019 and resulted in gain on disposal of investment NT\$9,040 thousand.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

K. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2020	2019
Short-term employee benefits	\$26,692	\$33,751
Post-employee benefits	270	324
Share-based payment	-	840
Total	\$26,962	\$34,915

8.ASSETS PLEDGED AS COLLATERAL

The following assets of the Company were pledged as collaterals:

Items	Carrying amount as of December 31,		Secured liabilities
	2020	2019	
Property, plant and equipment - Land	\$471,901	\$471,901	Long-term secured loans
Property, plant and equipment - depreciated assets	869,946	965,982	Long-term secured loans
Investment property	233,459	209,578	Long-term secured loans
Financial assets measured at amortized cost - current	3,006	3,006	Security deposit to custom authority and contract bond
Financial assets measured at amortized cost- non-current	6,207	6,015	Long-term secured loans
Total	\$1,584,519	\$1,656,482	

9.SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

The Company signed royalty contracts for manufacturing products of OLED which were listed below:

Object	Item	Expiring date	Royalty calculation method
Company A	Organic light emitting diode (OLED)	2023.12	Certain proportion of product sales revenue
Company B	Organic light emitting diode (OLED)	2021.03	Fixed royalty

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

The first unsecured convertible bonds in amount of NT\$13,100 thousand was applied to convert into 260 thousand shares in January 2021. Paid-in capital were NT\$678,920 thousand after conversion, each share at par value of NT\$10, divided into 67,892 thousand shares.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2020	2019
Financial assets at fair value through profit or loss:		
Measured at fair value through profit or loss	\$122,154	\$12,979
Financial assets at fair value through OCI	12,514	26,237
Financial assets measured at amortized cost (Note 1)	1,103,400	849,791
Total	<u>\$1,238,068</u>	<u>\$889,007</u>

Financial liabilities

	As of December 31,	
	2020	2019
Financial liabilities at fair value through profit or loss:		
Financial liability held for trading	\$385	\$-
Financial liabilities at amortized cost:		
Short-term loans	142,153	145,390
Accounts payable (related parties included)	398,853	285,607
Bonds payable	330,379	-
Other payables (related parties included)	110,621	116,290

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of December 31,	
	2020	2019
Long-term loans (including current portion with maturity less than 1 year)	573,983	985,171
Lease liabilities	-	7,098
Total	<u>\$1,556,374</u>	<u>\$1,539,556</u>

Note:

- 1) Including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable (related parties included) and other receivables (related parties included).

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprises currency risk and interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Company's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. The information of the sensitivity analyses is as follows:

When NTD appreciates/depreciates against USD by 1%, the net income (loss) for the years ended December 31, 2020 and 2019 would increase/decrease by NT\$342 thousand and decrease/increase by NT\$3,769 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and bank borrowings with fixed interest rates and variable interest rates, which are all categorized as bank borrowings and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the years ended December 31, 2020 and 2019 would increase/decrease by NT\$1,120 thousand and decrease/increase NT\$5,269 thousand, respectively.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Equity price risk

The fair value of the Company's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Company's profit for the years ended December 31, 2020 and 2019 by NT\$922 thousand and NT\$110 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through other comprehensive income could have an impact on NT\$125 thousand and NT\$262 thousand of the equity attributable to the Company for the years ended December 31, 2020 and 2019, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2020 and 2019, receivables from the top ten customers were accounted for 74% and 78% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

(5)Credit risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than						More than	Total
	1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years		
As of December 31, 2020								
Loans	\$366,228	\$220,406	\$117,647	\$27,506	\$-	\$-	\$731,787	
Payables	509,474	-	-	-	-	-	509,474	
Bonds Payable	-	349,900	-	-	-	-	349,900	
As of December 31, 2019								
Loans	\$417,911	\$286,981	\$246,107	\$182,265	\$40,134	\$-	\$1,173,398	
Payables	401,897	-	-	-	-	-	401,897	
Lease Liabilities	7,161	-	-	-	-	-	7,161	

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term loans	Short-term loans	Lease liabilities	Other non- current liability	Bonds payable	Total liabilities from financing activities
As of January 1, 2020	\$145,390	\$985,171	\$7,098	\$33,687	\$-	\$1,171,346
Cash flows	(3,237)	(411,188)	(1,790)	3,461	345,000	(67,754)
Non-cash changes	-	-	(5,308)	-	(14,621)	(19,929)
As of December 31, 2020	\$142,153	\$573,983	\$-	\$37,148	\$330,379	\$1,083,663

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term loans	Short-term loans	Lease liabilities	Other non- current liability	Total liabilities from financing activities
As of January 1, 2019	\$75,000	\$1,370,770	\$14,058	\$27,353	\$1,487,181
Cash flows	70,390	(385,599)	(7,162)	6,334	(316,037)
Non-cash changes	-	-	202	-	202
As of December 31, 2019	\$145,390	\$985,171	\$7,098	\$33,687	\$1,171,346

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Company in estimating the fair values of financial assets and liabilities:

- a. The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds).
- c. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the TPEX, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

Other than the item is listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount as of December 31,	
	2020	2019
Financial liabilities		
Bonds payable	\$330,379	\$-
	Fair value as of December 31,	
	2020	2019
Financial liabilities		
Bonds payable	\$335,659	\$-

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(13) for further information on this transaction.

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 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				
Stock	\$92,157	\$-	\$29,997	\$122,154
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	12,514	-	-	12,514
Total	<u>\$104,671</u>	<u>\$-</u>	<u>\$29,997</u>	<u>\$134,668</u>
Liabilities measured at fair value:				
Measured at fair value through profit or loss				
Embedded derivatives	\$-	\$-	\$385	\$385
Total	<u>\$-</u>	<u>\$-</u>	<u>\$385</u>	<u>\$385</u>

As of December 31, 2019

	<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				
Stock	\$10,979	\$-	\$-	\$10,979
Funds	2,000	-	-	2,000
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	26,237	-	-	26,237
Total	<u>\$39,216</u>	<u>\$-</u>	<u>\$-</u>	<u>\$39,216</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liability measured at fair value:				
None.				

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	<u>Financial assets at fair value through profit or loss</u>
	<u>Stock</u>
Beginning balances as of January 1, 2020	\$-
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in profit or loss (presented in “other gains and losses”)	-
Acquisition for the year ended December 31, 2020	29,997
Ending balances as of December 31, 2020	<u>\$29,997</u>
	<u>Liabilities</u>
	<u>Derivatives at fair value through profit or loss</u>
Beginning balances as of January 1, 2020	\$-
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in profit or loss (presented in “other gains and losses”)	(735)
Acquisition for the year ended December 31, 2020	1,120
Ending balances as of December 31, 2020	<u>\$385</u>

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Stocks	Market approach	Discount for lack of marketability	30.00%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase(decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's profit or loss by NT\$300 thousand
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives	A binomial-tree model for convertible bond pricing	Volatility	49.35%	The higher the volatility, the higher the fair value of the embedded derivatives	1% increase(decrease) in the volatility would result in increase (decrease) in the Company's profit or loss by NT\$10 thousand

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(9))	\$-	\$-	\$748,298	\$748,298

As of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(9))	\$-	\$-	\$557,293	\$557,293

(10) Significant assets and liabilities denominated in foreign currencies

	As of December 31,					
	2020			2019		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$11,907	28.05	\$333,985	\$23,775	29.96	\$712,206
<u>Financial liabilities</u>						
Monetary items:						
USD	13,039	28.24	368,221	11,133	30.12	335,283

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below:

Foreign currency resulting in exchange gain or loss	For the year ended December 31,	
	2020	2019
USD	\$(13,695)	\$(9,378)
Other	(12)	281
Total	\$(13,707)	\$(9,097)

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

(11)Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13.ADDITIONAL DISCLOSURES

(1)Information on significant transactions

A.Financing provided to others: None.

B.Endorsement/Guarantee provided to others: None.

C.Marketable securities held as of December 31, 2020 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

D.Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

E.Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

Ritdisplay Corporation

Notes to Parent-Company-Only Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2020: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2020: Please refer to attachment 2.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2020: None.

I. Derivative instrument transactions: None.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control: Please refer to attachment 3.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1): None.

(3) Information on investments in Mainland China: None.

(4) Information on major shareholders

	Shares		
Major shareholders		Shares	%
Ritek Corporation		26,729,111	39.52%
U-tech Media Corporation		4,985,689	7.37%
Profit Corporation		4,082,950	6.03%

14. SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

Notes to Parent-Company-Only Financial Statements of Ritdisplay Corporation (Continued)

(Amount Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

(In Thousands of New Taiwan Dollars)

Attachment 1: Marketable securities held as of December 31, 2020

Name of Held Company	Type and Name of Marketable Securities (Note1)	Relationship with the Issuer	Financial Statement Account	As of December 31, 2020				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value	
Ritdisplay Corporation	<u>Financial assets at fair value through profit or loss - current</u>							
	Stock							
	Hannstar Display Corporation	-	Financial assets at fair value through profit or loss - current	10,000	\$128	0.0003%	\$123	
	Kaimei Electronic Corporation	-	Financial assets at fair value through profit or loss - current	15,000	1,340	0.0110%	1,374	
	Foxsemicon Integrated Technology Corporation	-	Financial assets at fair value through profit or loss - current	100,000	21,032	0.1209%	21,000	
	Wisechip Semiconductor Inc.	-	Financial assets at fair value through profit or loss - current	214,000	8,892	0.4757%	8,784	
	Shin Kong Financial Holding Co.,Ltd. - Preferred Shares B	-	Financial assets at fair value through profit or loss - current	1,111,000	49,995	0.0085%	47,051	
	Daxin Materials Corporation	-	Financial assets at fair value through profit or loss - current	61,000	5,249	0.0594%	5,221	
	Feng Ching Metal Corporation	-	Financial assets at fair value through profit or loss - current	14,000	207	0.0298%	194	
	U-ming Marine Transpost Corporation	-	Financial assets at fair value through profit or loss - current	10,000	370	0.0012%	369	
	Farglory Free Trade Zone Investment Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	29,000	864	0.0126%	863	
	Global Brands Manufacture Ltd.	-	Financial assets at fair value through profit or loss - current	155,000	3,853	0.0301%	3,914	
	Taiwan Surface Mounting Technology Corporation	-	Financial assets at fair value through profit or loss - current	23,000	2,923	0.0079%	2,967	
	Shin Foong Specialty and Applied Materials Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,000	296	0.0019%	297	
	Welltech Energy Inc.	-	Financial assets at fair value through profit or loss - current	2,222,000	29,997	5.8645%	29,997	
	Less: Valuation adjustments of financial assets at fair value through profit or loss				(2,992)			
	Total				<u>\$122,154</u>		<u>\$122,154</u>	
Ritdisplay Corporation	<u>Financial assets at fair value through other comprehensive income - current</u>							
	Pancolour Ink Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	474,000	\$17,606	1.4751%	\$12,514	
	Less: Valuation adjustments of financial assets at fair value through other comprehensive income				(5,092)			
	Total				<u>\$12,514</u>		<u>\$12,514</u>	

Note1 : The marketable securities mentioned in attachment refer to stock, bonds, beneficiary certificates and securities derived from abovementioned item within in the scope of IFRS 9 Financial Instruments.

Notes to Parent-Company-Only Financial Statements of Ritdisplay Corporation (Continued)

(Amount Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Attachment 2: Related party transactions with purchase or sale amount of at least NT\$100 million or 20% of the paid-in capital for the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction details			Details of non-arm's length transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Ritdisplay Corporation	Kunshan Hutek Co.,Ltd	Other related parties	Purchase	<u>\$212,306</u>	<u>26.11%</u>	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Third parties were 30~90 days after monthly closing.	Accounts payable <u>\$(153,395)</u>	<u>38.46%</u>	

Notes to Parent-Company-Only Financial Statements of Ritdisplay Corporation (Continued)

(Amount Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Attachment 3: Investees over whom the Company exercise significant influence or control (excluding investees in mainland china) as of December 31, 2020

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2020	As of December 31, 2019	Shares	%	Carrying Value			
Ritdisplay Corporation	Pvnext Corporation	Taiwan	Electronics industry	\$90,000	\$90,000	3,600,000	4.31%	\$-	\$(52,313)	\$-	
Ritdisplay Corporation	Luminit Automotive Technology Corporation	Taiwan	Electronics industry	30,000	30,000	1,350,000	31.03%	27,241	(13,767)	(4,870)	
Ritdisplay Corporation	Newrit Asset Co., Ltd.	Taiwan	Leasing business	55,000	55,000	5,500,000	78.74%	55,214	6	20	Subsidiary
Ritdisplay Corporation	Cashido Corporation	Taiwan	Electronics industry	40,996	40,996	3,932,777	78.66%	52,176	5,817	4,575	Subsidiary

Ritdisplay Corporation

1. Statement of Cash and Cash Equivalents

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and petty cash		\$472	1.Exchange Rate
			NTD : USD=1 : 28.02
Savings:			NTD : JPY=1 : 0.2696
Checking Deposits		926	NTD : EUR=1 : 34.19
Demand Deposits		69,129	
Foreign currency deposit			2.Cash and Cash equivalents
USD		75,802	were not pledged.
JPY		3,061	
EUR		193	
Subtotal		149,111	
Time deposits:	<u>Period</u>	<u>Interest rate</u>	
Union Bank of Taiwan	2020/12/4~2021/2/4	0.35%	50,000
Chang Hwa Commercial Bank, Ltd.	2020/12/11~2021/2/23	0.35%	54,000
Chang Hwa Commercial Bank, Ltd.	2020/11/18~2021/2/18	0.41%	11,600
Bank Sinopac Company Limited	2020/12/29~2021/1/29	0.35%	29,000
Far Eastern International Bank Co., Ltd.	2020/12/15~2021/2/23	0.25%	66,000
Far Eastern International Bank Co., Ltd.	2020/12/7~2021/2/8	0.25%	30,000
E.sun Commercial Bank, Ltd.	2020/11/20~2021/1/20	0.34%	61,000
Jih Sun International Bank	2020/12/21~2021/1/21	0.35%	4,900
Subtotal			306,500
Cash equivalents			
Resale agreements collateralized by bonds			363,278
Total			\$819,361

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

2. Statement of Financial Assets at Fair Value through Profit or Loss

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Financial Instruments	Shares/Unit	Par value(NTD)	Amount	Interest Rates	Acquisition costs	Fair Value		Note
						Unit price(NTD)	Amount	
Stock :								
Hannstar Display Corporation	10,000	\$10.00	\$128	-	\$128	\$12.30	\$123	Financial Assets at Fair Value through Profit or Loss were not pledged.
Kaimei Electronic Corporation	15,000	10.00	1,340	-	1,340	91.60	1,374	
Foxsemicon Integrated Technology Corporation	100,000	10.00	21,032	-	21,032	210.00	21,000	
Wisechip Semiconductor Inc.	214,000	10.00	8,892	-	8,892	41.05	8,784	
Shin Kong Financial Holding Co.,Ltd. - Preferred Shares B	1,111,000	10.00	49,995	-	49,995	42.35	47,051	
Daxin Materials Corporation	61,000	10.00	5,249	-	5,249	85.60	5,221	
Feng Ching Metal Corporation	14,000	10.00	207	-	207	13.85	194	
U-ming Marine Transpost Corporation	10,000	10.00	370	-	370	36.90	369	
Farglory Free Trade Zone Investment Holding Co., Ltd.	29,000	10.00	864	-	864	29.75	863	
Global Brands Manufacture Ltd.	155,000	10.00	3,853	-	3,853	25.25	3,914	
Taiwan Surface Mounting Technology Corporation	23,000	10.00	2,923	-	2,923	129.00	2,967	
Shin Foong Specialty and Applied Materials Co., Ltd.	2,000	10.00	296	-	296	148.50	297	
Welltech Energy Inc.	2,222,000	10.00	29,997	-	29,997	13.50	29,997	
Less: Valuation adjustments of financial assets at fair value through profit or loss					(2,992)			
Total					\$122,154		\$122,154	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

3. Statement of Financial Assets at Fair Value through Other Comprehensive Income

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Financial Instruments	Shares/Unit	Par value(NTD)	Amount	Interest Rates	Acquisition costs	Fair Value		Note
						Unit price(NTD)	Amount	
Financial assets at fair value through other comprehensive income - current								
Pancolour Ink Co., Ltd.	474,000	\$10.00	\$17,606	-	\$17,606	\$26.40	\$12,514	Financial Assets at Fair Value through Other Comprehensive Income were not pledged.
Less: Valuation adjustments of financial assets at fair value through other comprehensive income					<u>(5,092)</u>		<u>-</u>	
Total					<u>\$12,514</u>		<u>\$12,514</u>	

Ritdisplay Corporation

4. Statement of Financial Assets Measured at Amortized Cost

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non Current:			
Saving Deposits	Long-term secured loans for Bank of Taiwan.	\$6,207	Financial Assets measured at amortized cost were provided as security or pledge, please refer to Note 8.
Saving Deposits	Security deposit to custom authority and contract bond.	3,006	
Total		<u>\$9,213</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

5. Statement of Accounts Receivable, net

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	\$40,585	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	19,573	
Client C	24,333	
Client D	38,674	2.The account receivable in the left column were due to operation and were not provided as security or pledge.
Client E	31,361	
Client F	14,260	
Others	<u>100,303</u>	3.The accounts receivable in the left column were not related parties.
Subtotal	269,089	
Less: loss allowance	<u>(4,442)</u>	
Net	<u><u>\$264,647</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

6. Statement of Other Receivables

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Income tax refund receivable	\$6,000	
Others	<u>3,701</u>	
Total	<u><u>\$9,701</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

7. Statement of Other Receivables from Related Parties

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Aimcore Technology Co., Ltd.	\$131	Accrued rent receivable
Newrit Asset Co., Ltd.	300	Administrative and support services
Luminix Automotive Technology Corporation	32	Administrative and support services
Finesil Technology Inc.	2	Miscellaneous purchase expense
Ritek Corporation	13	Miscellaneous purchase expense
Total	<u>\$478</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

8. Statement of Inventories

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Finished goods	\$1,017	\$943	1. Inventories are valued at lower of cost or net realizable value item by item. 2. Inventories were not provided as security or pledge.
Work in progress	30,408	32,857	
Raw and supplies materials	<u>41,697</u>	<u>41,601</u>	
Subtotal	\$73,122	<u>\$75,401</u>	
Less: allowance for inventory valuation losses	<u>(14,600)</u>		
Net	<u>\$58,522</u>		

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

9. Statement of Prepayments

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepayment for purchases	\$15,768	
Other prepayments		
Prepaid expenses	13,616	
Prepaid insurance	962	
Subtotal	14,578	
Others	921	
Net	<u>\$31,267</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

10. Statement of Other Current Assets

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Temporary payments	<u>\$175</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

11. Statement of Changes in Investment Accounted for Under Equity Method

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2020			Additions		Decrease		As of December 31, 2020			Fair Value/Net assets value		Collateral	Note
	Shares (in thousand)	%	Amount	Shares	Amount	Shares	Amount	Shares (in thousand)	%	Amount	Unit price (NTD)	Total amount		
Luminit Automotive Technology Corporation	1,350	31.03%	\$32,111	-	\$-	-	\$(4,870)	1,350	31.03%	\$27,241	\$20.18	\$27,241	None	
							(Note1)							
Newrit Asset Co., Ltd.	5,500	100.00%	55,118	-	96	-	-	5,500	78.74%	55,214	10.04	55,214	None	
					(Note2)									
Cashido Corporation	3,933	78.66%	47,601	-	4,575	-	-	3,933	78.66%	52,176	13.27	52,176	None	
					(Note3)									
Pvnext Corporation	3,600	4.31%	3,447	-	-	-	-	3,600	4.31%	3,447	-	-	None	
Less: Accumulated impairment			(3,447)		-					(3,447)				
Total			<u>\$134,830</u>		<u>\$4,671</u>		<u>\$(4,870)</u>			<u>\$134,631</u>				

Note1: Including investment loss recognized under equity method amounted to NT\$4,870 thousand.

Note2: Including investment gain recognized under equity method amounted to NT\$20 thousand and changes in interests in subsidiaries amounted to \$76 thousand arising from capital increase of subsidiaries not proportionally recognized by the Company.

Note3: Including investment gain recognized under equity method amounted to NT\$4,575 thousand.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

12. Statement of Changes in Right-of-use assets

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2020	Additions	Decrease	Reclassification	As of December 31, 2020	Note
Cost						
Buildings	\$14,058	\$-	\$(14,058)	\$-	\$-	
Accumulated depreciation						
Buildings	7,029	1,757	(8,786)	-	-	
Net carrying amount	\$7,029				\$-	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

13. Statement of Short-term Loans

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Type	Description	As of December 31, 2020	Contract Period	Interest Rates	Loan Commitments	Collateral	Note
Taiwan Cooperative Bank	Working Capital of Operating	\$43,125	Within a year	0.84%	\$80,000	None	
Bank of Taiwan	Working Capital of Operating	99,028	Within a year	0.98%~1.30%	100,000	None	
Total		<u>\$142,153</u>			<u>\$180,000</u>		

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

14. Statement of Accounts Payable

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Vendor A	Payment for goods	\$74,434	1.The amount of individual vendor included in "others" does not exceed 5% of the account balance.
Vendor B	Payment for goods	14,582	
Vendor C	Payment for goods	76,503	
Others	Payment for goods (Note1)	<u>79,746</u>	
Total		<u>\$245,265</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

15. Statement of Other Payables

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued salaries and bonus		\$45,070	1.The amount of individual item included in "others" does not exceed 5% of the account balance.
Accrued remuneration to employee and directors		16,613	
Accrued royalties payable		1,696	
Accrued administration expense		7,543	
Others	Note 1	<u>34,719</u>	
Total		<u><u>\$105,641</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

16. Statement of Changes in Current Income Tax Liabilities

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
As of January 1, 2020	\$5,405	
Add: Income tax expense for the year ended December 31, 2020	1,907	
Less: Adjustments in respect of current income tax of prior periods	(989)	
Payment for income tax incurred in 2019	(4,416)	
Withholding tax of interest income	<u>(293)</u>	
As of December 31, 2020	<u><u>\$1,614</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

17. Statement of Financial Liability at Fair Value through Profit or Loss

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Description	As of January 1, 2020		Additions		Decrease		As of December 31, 2020		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
The Embedded derivative financial instrument of redemption and put option from issuing first unsecured convertible bonds		<u>\$ -</u>		<u>\$1,120</u> (Note1)		<u>\$(735)</u> (Note2)		<u>\$385</u>	None	

Note1: Including net valuation gain recognized from redemption and put option from issuing first unsecured convertible bonds amounted to NT\$1,120 thousand.

Note2 : Including valuation adjustment loss recognized from the bonds payable amounted to NT\$735 thousand.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

18. Statement of Bonds Payable

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Description	Trustee.	Issue Date	Interest Payment Date	Interest Rates	Amount			Repayment Method	Collateral	Note
					Issue Amount	Converted or Redeemed Amount	As of December 31, 2020			
First Unsecured Convertible Bonds Payable	Grand Fortune Securities Co.,Ltd	2020.7.17	-	-%	\$350,000	\$(100)	\$349,900	According to the terms of conversion, please refer to Note 6(14).	None	
Less: Discounts on bonds payable							(19,521)			
Net							<u>\$330,379</u>			

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

19. Statement of Long-Term Loans

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Lenders	Description	Amount	Duration	Interest Rates (%)	Collateral	Note
Syndicated Loans led by Bank of Taiwan	Since February 15, 2019, repay to ten installments by every six month.	\$450,000	2019.2.15~2024.2.15	1.8421	Note1	
The Shanghai Commercial & Savings Bank, Ltd.	Effective December 29, 2017 to December 29, 2022, since March, 2017, the first repayment, the principle are repayable in installment of equal amount by every three month.	19,500	2017.12.29~2022.12.29	1.7500	Note1	
Taiwan Cooperative Bank	Effective December 29, 2017 to December 29, 2024, since January, 2018, the first repayment, the principle and interests are repayable in installment of equal amount by every month.	106,082	2017.12.29~2024.12.29	1.8000	Note1	
Total		575,582				
Less : Arrangement fee		(1,599)				
Current portion of long-term loans		(215,559)				
Non current portion of long-term loans		<u>\$358,424</u>				

Note1 : Please refer to Note 8.

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Ritdisplay Corporation

20. Statement of Other Non-Current Liabilities

As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Deferred revenue	\$2,533	
Accrued pension expense for management	26,839	
Guarantee deposits	10,309	
Defined benefit plan	17,197	
Total	<u>\$56,878</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

21. Statement of Operating Revenues

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Operating revenues	Its main business activities include the manufacture of OLED and sales of the related product	\$1,534,868	
Less: Sales return and allowance		(1,335)	
Others		8,895	
Net operating revenues	Electricity selling revenue	<u>\$1,542,428</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

22. Statement of Operating Costs

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Subtotal	Total	Note
Direct and supplies materials			
Add: Beginning balance	\$35,926		
Raw materials purchased	569,365		
Other transfer	3,593		
Less: Sales	(336,253)		
Department consumed	(32,945)		
Ending balance	<u>(41,697)</u>		
Direct and supplies materials used		\$197,989	
Direct labor		71,961	
Manufacturing overhead		<u>257,483</u>	
Manufacturing cost		527,433	
Add: Work in process, beginning balance	33,086		
Work in process purchased	205,001		
Less: Transfer to finished goods	(252,565)		
Department consumed	(334)		
Other transfer	(9)		
Work in process, ending balance	<u>(30,408)</u>	<u>(45,229)</u>	
Cost of finished goods		482,204	
Add: Finished goods, beginning balance	1,143		
Finished goods purchased	38,691		
Work in process transfer in	252,565		
Other transfer	23,809		
Less: Department consumed	(788)		
Finished goods, ending balance	<u>(1,017)</u>	<u>314,403</u>	
Cost of goods sold		796,607	
Cost of direct and supplies materials sold		336,253	
Loss from inventory valuation and obsolescence loss		8,600	
Other costs		<u>4,064</u>	
Total		<u><u>\$1,145,524</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

23. Statement of Manufacturing Overhead

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$33,599	1.It includes pension and food stipend expense.
Repair and maintenance expense		17,560	2.The amount of individual item included
Utilities		36,141	in "others" does not exceed 5% of the
Depreciation		91,154	account balance.
Indirect material		39,151	
Outsourced Manufacturing		13,483	
Others	Note 2	<u>26,395</u>	
Total		<u><u>\$257,483</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

24. Statement of Selling Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$8,748	1.It includes pension and food stipend expense.
Travelling		652	2.The amount of individual item included
Shipping expenses		6,120	in "others" does not exceed 5% of the
Royalties		8,967	account balance.
Depreciation		230	
Others	Note 2	<u>1,976</u>	
Total		<u><u>\$26,693</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

25. Statement of General and Administrative Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$68,038	1.It includes pension and food stipend expense.
Taxes		4,732	2.The amount of individual item included
Depreciation		541	in "others" does not exceed 5% of the
Professional service fees		6,827	account balance.
Others	Note 2	<u>14,175</u>	
Total		<u><u>\$94,313</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

26. Statement of Research and Development Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$34,947	1.It includes pension and food stipend expense.
Utilities		8,216	2.The amount of individual item included in "others" does not exceed 5% of the account balance.
Depreciation		6,113	
Amortizations		19,117	
Materials Utilized for Testing		5,788	
Others	Note 2	<u>11,448</u>	
Total		<u><u>\$85,629</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Ritdisplay Corporation

27. Statement of Non-Operating Incomes and Expenses

For the Year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other incomes			
	Interest income	\$2,904	
	Rental income	75,880	
	Dividend income	1,448	
	Other income—others	30,813	
	Total	<u>\$111,045</u>	
Other gains and losses			
	Gain on disposal of property, plant and equipment	\$5,586	
	Gains on disposal of investments	15,404	
	Foreign exchange losses, net	(13,707)	
	Other losses	(12,169)	
	Loss of financial assets at fair value through profit or loss	(3,362)	
	Gain on lease modification	64	
	Impairment losses	(8,346)	
	Total	<u>\$(16,530)</u>	
Finance costs			
	Interest on borrowings from bank loans, bond payables, lease liabilities and imputed interest on deposit	<u>\$(19,955)</u>	
Share of profit or loss of subsidiaries, associates and joint ventures			
	Investment losses	<u>\$(275)</u>	