

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, 2021 AND 2020  
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.*

**Parent-company-only financial statements  
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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, 2021 and 2020, 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, based on the results of our audits and the report of other auditor (please refer to the Other Matter—Making Reference to the Audit of a Component Auditor section of our report), 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, 2021 and 2020, 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, 2021. 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\$1,611,613 thousand for the year ended December 31, 2021 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 Note 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\$48,996 thousand as of December 31, 2021, 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 Note 6 to the financial statements.

### **Other Matter – Making Reference to the Audit of a Component Auditor**

We did not audit the financial statements of Welltech Energy Inc., an indirectly invested associate accounted for under the equity method by the Company. The financial statements of Welltech Energy Inc. as of December 31, 2021 and for the year then ended were audited by other auditor, whose report thereon has been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT\$144,093 thousand as of December 31, 2021 representing 4.08% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT\$6,410 thousand representing 2.62% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the year then ended amounting to NT\$(85) thousand representing (5.43)% of the other comprehensive income, are based solely on the audit report of other auditor.

### **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 2021 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

Chen, Kuo-Shuai

Ernst & Young, Taiwan, R.O.C

March 21, 2022

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, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2021.12.31		2020.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$561,843	16	\$819,361	23
1110	Financial assets at fair value through profit or loss	4, 6(2)	116,307	3	122,154	4
1120	Financial assets at fair value through other comprehensive income	4, 6(3)	54,074	2	12,514	-
1170	Accounts receivable, net	4, 6(5), 6(19)	232,105	7	264,647	7
1200	Other receivables		4,543	-	9,701	-
1210	Other receivables-related parties	7	12,357	-	478	-
130x	Inventories, net	4, 6(6)	48,996	1	58,522	2
1410	Prepayments		36,597	1	31,267	1
1470	Other current assets	7	15	-	175	-
11xx	Total current assets		<u>1,066,837</u>	<u>30</u>	<u>1,318,819</u>	<u>37</u>
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2)	169	-	-	-
1535	Financial assets measured at amortized cost	4, 6(4), 8	8,057	-	9,213	-
1550	Investments accounted for under equity method	4, 6(7)	386,485	11	134,631	4
1600	Property, plant and equipment, net	4, 6(8), 8	1,471,358	42	1,576,496	44
1760	Investment property, net	4, 6(9), 8	234,730	7	233,459	6
1780	Intangible assets, net	4, 6(10)	7,966	-	27,083	1
1840	Deferred tax assets	4, 6(24)	227,964	6	280,908	8
1900	Other non-current assets	6(11)	124,730	4	3,929	-
15xx	Total non-current assets		<u>2,461,459</u>	<u>70</u>	<u>2,265,719</u>	<u>63</u>
1xxx	Total Assets		<u>\$3,528,296</u>	<u>100</u>	<u>\$3,584,538</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, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2021.12.31		2020.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	\$274,800	8	\$142,153	4
2130	Contract liabilities	4, 6(18)	891	-	3,189	-
2170	Accounts payable		218,487	6	245,265	7
2180	Accounts payable-related parties	7	161,371	4	153,588	4
2200	Other payables		91,425	3	105,641	3
2220	Other payables-related parties	7	3,451	-	4,980	-
2230	Current income tax liabilities	4, 6(24)	910	-	1,614	-
2300	Other current liabilities		2,414	-	1,063	-
2320	Current portion of long-term loans	6(15), 8	239,104	7	215,559	6
21xx	Total current liabilities		<u>992,853</u>	<u>28</u>	<u>873,052</u>	<u>24</u>
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss	4, 6(13)	-	-	385	-
2530	Bonds payable	4, 6(14)	54,293	2	330,379	9
2540	Long-term loans	6(15), 8	186,981	5	358,424	10
2570	Deferred tax liabilities	4, 6(24)	-	-	493	-
2670	Other non-current liabilities	4, 6(16)	54,119	2	56,878	2
25xx	Total non-current liabilities		<u>295,393</u>	<u>9</u>	<u>746,559</u>	<u>21</u>
2xxx	Total liabilities		<u>1,288,246</u>	<u>37</u>	<u>1,619,611</u>	<u>45</u>
31xx	Equity	6(17)				
3100	Capital					
3110	Common stock		680,090	19	676,301	19
3130	Bond conversion entitlement certificates		57,892	2	19	-
3200	Capital surplus	6(17)	790,422	22	570,011	16
3300	Retained earnings	6(17)				
3310	Legal reserve		142,092	4	122,116	3
3320	Special reserve		5,706	-	2,853	-
3350	Unappropriated retained earnings		621,284	18	650,819	18
3400	Other components of equity		(5,950)	-	(5,706)	-
3500	Treasury stock	4, 6(17)	(51,486)	(2)	(51,486)	(1)
3xxx	Total equity		<u>2,240,050</u>	<u>63</u>	<u>1,964,927</u>	<u>55</u>
3x2x	Total liabilities and equity		<u>\$3,528,296</u>	<u>100</u>	<u>\$3,584,538</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, 2021 and 2020

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

Code	Accounts	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(18), 7	\$1,611,613	100	\$1,542,428	100
5000	Operating costs	6, 7	(1,253,240)	(78)	(1,145,524)	(74)
5900	Gross profit		358,373	22	396,904	26
6000	Operating expenses	6, 7				
6100	Selling		(36,647)	(2)	(26,693)	(2)
6200	General and administrative		(96,029)	(6)	(94,313)	(6)
6300	Research and development		(88,932)	(6)	(85,629)	(6)
6450	Expected credit losses	4, 6(19)	(5,721)	-	(4,274)	-
	Operating expenses total		(227,329)	(14)	(210,909)	(14)
6900	Operating income		131,044	8	185,995	12
7000	Non-operating income and expenses					
7100	Interest income	6(22), 7	1,756	-	2,904	-
7010	Other income	6(22), 7	104,281	7	108,141	7
7020	Other gains and losses	6(22), 7	3,465	-	(16,530)	(1)
7050	Finance costs	6(22), 7	(17,421)	(1)	(19,955)	(1)
7060	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	4, 6(7)	21,707	1	(275)	-
	Total on-operating income and expenses		113,788	7	74,285	5
7900	Income before income tax		244,832	15	260,280	17
7950	Income tax expense	4, 6(24)	(52,672)	(3)	(53,726)	(4)
8200	Net income		192,160	12	206,554	13
8300	Other comprehensive income (loss)	6(23)				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans		2,826	-	(1,954)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive income (loss)		(1,171)	-	(2,617)	-
8349	Income tax related to the items that will not be reclassified subsequently to profit or loss		-	-	(5,075)	-
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of associates and joint		(89)	-	-	-
	Total other comprehensive income, net of tax		1,566	-	(9,646)	-
8500	Total comprehensive income (loss)		\$193,726	12	\$196,908	13
	Earnings per share	6(25)				
9750	Earnings per share - basic (in NTD)		\$2.86		\$3.06	
9850	Earnings per share - diluted (in NTD)		\$2.69		\$2.95	

(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

RiDisplay Corporation

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Capital 3100	Bond conversion entitlement certificaties 3130	Capital Surplus 3200	Retained Earnings			Other Components of equity		Treasury stock 3500	Total Equity 3XXX
					Legal Reserve 3310	Special Reserve 3320	Unappropriated Retained 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, 2020	\$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 required									(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	676,301	19	570,011	122,116	2,853	650,819	(614)	(5,092)	(51,486)	1,964,927
	Appropriation and distribution of 2020 earnings:										
B1	Legal reserve				19,976		(19,976)				-
B3	Special reserve					2,853	(2,853)				-
B5	Cash dividends - common shares						(200,676)				(200,676)
D1	Net income for 2021						192,160				192,160
D3	Other comprehensive income (loss) for 2021						2,826	(89)	(1,171)		1,566
D5	Total comprehensive income (loss)	-	-	-	-	-	194,986	(89)	(1,171)	-	193,726
I1	Conversion of convertible bonds		61,662	222,067							283,729
I3	Conversion of certificaties of bonds-to-share	3,789	(3,789)								-
M7	Changes in subsidiaries ownership			(1,656)							(1,656)
Q1	Disposal of investments in equity instruments measured at fair value through other comprehensive income						(1,016)		1,016		-
Z1	Balance as of December 31, 2021	\$680,090	\$57,892	\$790,422	\$142,092	\$5,706	\$621,284	\$(703)	\$(5,247)	\$(51,486)	\$2,240,050

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

## RiTdisplay Corporation

## Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2021	2020	Code	Items	2021	2020
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$244,832	\$260,280	B00010	Acquisition of financial assets at fair value through other comprehensive income	(46,059)	(4,475)
A20000	Adjustments:			B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	3,324	15,581
A20010	Profit or loss not effecting cash flows:			B00040	Acquisition of financial assets measured at amortised cost	-	(192)
A20100	Depreciation expenses and other losses	106,773	110,043	B00050	Proceeds from disposal of financial assets measured at amortised cost	1,156	29,956
A20200	Amortization	19,117	19,117	B01800	Acquisition of investments accounted for under equity method	(194,114)	-
A20300	Expected credit losses	5,721	4,274	B02000	Advance payments in investment	(120,000)	-
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(2,526)	3,362	B02700	Acquisition of property, plant and equipment	(2,616)	(17,962)
A20900	Interest expense	17,421	19,955	B02800	Proceeds from disposal of property, plant and equipment	-	762
A21200	Interest income	(1,756)	(2,904)	BBBB	Net cash provided by (used in) investing activities	(358,309)	23,670
A21300	Dividend income	(3,046)	(1,448)				
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(21,707)	275	CCCC	Cash flows from financing activities:		
A22500	Gain on disposal of property, plant and equipment	(2,533)	(5,586)	C00200	(Repayments of) increase in short-term loans	132,647	(3,237)
A23100	Gain on disposal of investments	(16,877)	(15,404)	C01200	Issuance of convertible bonds	-	345,000
A23700	Impairment on non-financial assets	-	8,346	C01600	Increase in long-term loans	76,614	-
A29900	Gain on lease modification	-	(64)	C01700	Repayments of long-term loans	(224,512)	(411,188)
A30000	Changes in operating assets and liabilities:			C04020	Cash payments for the principal portion of the lease liabilities	-	(1,790)
A31115	Increase of financial assets at fair value through profit or loss	(12,698)	(97,868)	C04300	Increase in other non-current liabilities	3,329	3,461
A31150	(Increase) decrease of accounts receivable	26,821	(45,841)	C04500	Cash dividends paid	(200,676)	(23,670)
A31180	Decrease of other receivables	5,158	10,585	C04900	Treasury stock acquired	-	(51,486)
A31190	(Increase) decrease of other receivables-related parties	(11,879)	1,322	CCCC	Net cash used in financing activities	(212,598)	(142,910)
A31200	Decrease of inventories	9,526	5,633				
A31230	Increase of prepayment	(5,330)	(4,014)	EEEE	Net increase (decrease) in cash and cash equivalents	(257,518)	254,484
A31240	Decrease of other current assets	160	150	E00100	Cash and cash equivalents at beginning of period	819,361	564,877
A32125	Decrease of contract liabilities	(2,298)	(98)	E00200	Cash and cash equivalents at end of period	\$561,843	\$819,361
A32150	Increase (decrease) of accounts payable	(26,778)	92,761				
A32160	Increase of accounts payable-related parties	7,783	20,485				
A32180	Increase (decrease) of other payables	(15,307)	6,891				
A32190	Increase (decrease) of other payables-related parties	(1,529)	1,526				
A32230	Increase (decrease) of other current liabilities	1,351	(1,050)				
A32240	Decrease of net defined benefit liability	(729)	(663)				
A33000	Cash generated from operations	319,670	390,065				
A33100	Interest received	1,756	3,675				
A33200	Dividend received	3,046	1,448				
A33300	Interest paid	(10,158)	(16,755)				
A33500	Income tax paid	(925)	(4,709)				
AAAA	Net cash provided by operating activities	313,389	373,724				

(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, 2021 and 2020

(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 21, 2022.

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 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, 2021. Apart from the nature and impact of the new standard and amendment is described below, the remaining 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	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

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

A. 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.

B. 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 recognize such sales proceeds and related cost in profit or loss.

C. 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.

RiTdisplay Corporation

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

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

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D. 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.

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.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The Company assesses all standards and interpretations have 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)

- (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	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	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.

RiTdisplay Corporation

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

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

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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.

(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 group of insurance contracts at the total of the fulfillment cash flows and the contractual service margin. The carrying amount of a group 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 was amended in 2021 and 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); providing additional transition reliefs; simplifying 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 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.

(d) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

RiTdisplay Corporation

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

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

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(e) 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.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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 all standards and interpretations have no material impact on the Company.

#### 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, 2021 and 2020 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)

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(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)

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(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)

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(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)

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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)

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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.



RiTdisplay Corporation

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

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

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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)

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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.

RiTdisplay Corporation

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

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

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C. Derecognition of financial assets

A financial asset is derecognized when:

(d) The rights to receive cash flows from the asset have expired.

(e) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

(f) 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)

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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.

RiTdisplay Corporation

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

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

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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.

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.

RiTdisplay Corporation

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

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

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

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.

RiTdisplay Corporation

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

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

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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.

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.

RiTdisplay Corporation

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

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

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(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.

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 affects 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.



RiTdisplay Corporation

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

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

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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.

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.

RiTdisplay Corporation

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

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

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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.

(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)

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(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
-----------	-------------

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)

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(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)

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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)

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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)

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(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)

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(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)

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(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)

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(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.

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

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

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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)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)

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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)

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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)

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A. Accounts receivable-estimation of impairment loss

The Company estimates the impairment loss of accounts receivable 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.

RiTdisplay Corporation

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

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

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. 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, 2021.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash and petty cash	\$679	\$472
Checkings and savings	392,264	149,111
Time deposits	118,900	306,500
Resale agreements collateralized by bonds	50,000	363,278
Total	<u>\$561,843</u>	<u>\$819,361</u>

RiTdisplay Corporation

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

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

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

	As of December 31,	
	2021	2020
Mandatorily measured at fair value through profit or loss:		
Listed companies stocks	\$116,947	\$95,149
Unlisted companies stocks	-	29,997
Valuation adjustment	(640)	(2,992)
Subtotal	\$116,307	\$122,154
Embedded derivatives-Non-current	169	-
Total	\$116,476	\$122,154
Current	\$116,307	\$122,154
Non-current	169	-
Total	\$116,467	\$122,154

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,	
	2021	2020
Equity instruments investments measured at fair value through other comprehensive income-Current:		
Unlisted company stocks	\$59,325	\$17,606
Valuation adjustment	(5,251)	(5,092)
Total	\$54,074	\$12,514
Current	\$54,074	\$12,514
Non-current	-	-
Total	\$54,074	\$12,514

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



RiTdisplay Corporation

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

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020 are as follow:

	For the year ended December 31,	
	2021	2020
Related to investments held at the end of the reporting period	\$363	\$830
Related to investments derecognized during the period	47	19
Dividends recognized during the period	\$410	\$849

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, 2021 and 2020 are as follow:

	For the year ended December 31,	
	2021	2020
The fair value of the investments at the date of derecognition	\$3,324	\$15,581
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	\$(1,016)	\$235

(4) Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Restricted deposits	\$8,057	\$9,213
Current	\$-	\$-
Non-current	8,057	9,213
Total	\$8,057	\$9,213

The Company classified certain financial assets as financial assets measured at amortized cost.

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 financial assets measured at amortized cost under pledge.

(5)Accounts receivable, net

	As of December 31,	
	2021	2020
Accounts receivable, gross	\$242,268	\$269,089
Less: loss allowance	(10,163)	(4,442)
Net of allowances	\$232,105	\$264,647

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2021 and 2020, are NT\$242,268 thousand and NT\$269,089 thousand, respectively. Please refer to Note 6(19) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(6) Inventory

	As of December 31,	
	2021	2020
Finished goods	\$2,293	\$907
Semi-finished goods and Work in process	4,520	16,898
Raw materials	42,183	40,717
Total	\$48,996	\$58,522

For the years ended December 31, 2021 and 2020, the Company recognized NT\$1,248,964 thousand and NT\$1,141,460 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
	2021	2020
Loss from inventory market decline	\$1,800	\$8,600

RiTdisplay Corporation

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

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

The inventories were not pledged.

(7) Investments accounted for under equity method

Investee Companies	As of December 31,			
	2021		2020	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:				
Welltech Energy Inc.	\$144,093	20.89%	\$-	-%
Pvnext Corporation	3,447	4.31%	3,447	4.31%
Luminit Automotive Technology Corporation	27,966	31.03%	27,241	31.03%
Accumulated impairment	(3,447)		(3,447)	
Subtotal	172,059		27,241	
Investments in subsidiaries:				
Newrit Asset Co., Ltd.	55,744	64.94%	55,214	78.74%
Cashido Corporation	52,291	78.66%	52,176	78.66%
Ritwin Corporation	106,391	94.12%	-	-%
Subtotal	214,426		107,390	
Total	\$386,485		\$134,631	

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,	
	2021	2020
Profit (loss) in current period	\$7,135	\$(4,870)
Other comprehensive income (net of tax)	(85)	-
Total comprehensive income	\$7,050	\$(4,870)

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

RiTdisplay Corporation

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

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

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The Company reinvested NT\$99,994 thousand in Welltech Energy Inc. in March 2021 and acquired 8,104 thousand shares in total. The interest ownership increased from 5.86% to 21.39%. The investment of the company was reclassified from financial assets measured at fair value through profit and loss to investments accounted for under the equity method. Gain on disposal of investments of NT\$7,777 thousand was recognized.

On March 31, 2021, Welltech Energy Inc. executed employee stock options conversion, and the Company's interest ownership decreased to 20.89%.

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 May 2021 and December 2020, therefore the Company's interest ownership decreased to 64.94% and 78.74%, respectively.

The Company participated capital invested in increase of Ritwin Corporation and NT\$94,120 thousand for interest ownership of 94.12% in July 2021.

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, 2021 and 2020, respectively.

## RiTdisplay Corporation

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

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

## (8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other equipment	Total
Cost:					
As of Jan. 1, 2021	\$471,901	\$2,052,773	\$4,832,211	\$176,322	\$7,533,207
Addition	-	-	2,906	-	2,906
Transfer	-	(40,673)	-	-	(40,673)
As of Dec. 31, 2021	\$471,901	\$2,012,100	\$4,835,117	\$176,322	\$7,495,440
As of Jan. 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 Dec. 31, 2020	\$471,901	\$2,052,773	\$4,832,211	\$176,322	\$7,533,207
Depreciation and impairment:					
As of Jan. 1, 2021	\$-	\$1,537,492	\$4,243,129	\$176,090	\$5,956,711
Depreciation	-	18,736	78,791	229	97,756
Transfer	-	(30,385)	-	-	(30,385)
As of Dec. 31, 2021	\$-	\$1,525,843	\$4,321,920	\$176,319	\$6,024,082
As of Jan. 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 Dec. 31, 2020	\$-	\$1,537,492	\$4,243,129	\$176,090	\$5,956,711
Net carrying amount:					
As of Dec. 31, 2021	\$471,901	\$486,257	\$513,197	\$3	\$1,471,358
As of Dec. 31, 2020	\$471,901	\$515,281	\$589,082	\$232	\$1,576,496

RiTdisplay Corporation

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

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

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.

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, 2021	\$922,924
Transfers from property, plant and equipment	40,673
As of December 31, 2021	<u>\$963,597</u>
As of January 1, 2020	\$799,151
Transfers from property, plant and equipment	123,773
As of December 31, 2020	<u>\$922,924</u>
Depreciation and impairment:	
As of January 1, 2021	\$689,465
Depreciation	9,017
Transfers from property, plant and equipment	30,385
As of December 31, 2021	<u>\$728,867</u>
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>
Net carrying amount:	
As of December 31, 2021	<u>\$234,730</u>
As of December 31, 2020	<u>\$233,459</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,	
	2021	2020
Rental income from investment property	\$67,605	\$63,758
Less: Direct operating expenses from investment property generating rental income	(9,017)	(8,640)
Total	\$58,588	\$55,118

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 were both NT\$748,298 thousand as of December 31, 2021 and 2020, 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

	Patents
Cost:	
As of December 31, 2021	\$500,000
As of December 31, 2020	\$500,000
Amortization and impairment:	
As of January 1, 2021	\$472,917
Amortization	19,117
As of December 31, 2021	\$492,034
As of January 1, 2020	\$453,800
Amortization	19,117
As of December 31, 2020	\$472,917
Net carrying amount:	
As of December 31, 2021	\$7,966
As of December 31, 2020	\$27,083

RiTdisplay Corporation

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

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

Amortization amount recognized for intangible assets are as follows:

	For the year ended December 31,	
	2021	2020
Operating costs	\$-	\$-
Operating expenses	19,117	19,117
Total	<u>\$19,117</u>	<u>\$19,117</u>

(11) Other non-current assets

	As of December 31,	
	2021	2020
Prepayment in equipment	\$4,730	\$3,929
Advance payments in investment	120,000	-
Total	<u>\$124,730</u>	<u>\$3,929</u>

(12) Short-term loans

	As of December 31,	
	2021	2020
Bank loans	<u>\$274,800</u>	<u>\$142,153</u>
Interest Rate (%)	<u>0.90%~1.30%</u>	<u>0.84%~1.30%</u>

As of December 31, 2021 and 2020, the lines of unused short-term loans credit for the Company amounted to NT\$225,200 thousand and NT\$267,847 thousand, respectively.

Assets were not pledged for the short-term loans.



RiTdisplay Corporation

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

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

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

	As of December 31,	
	2021	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\$169 thousand and NT\$(385) thousand were recognized as non-current financial assets and liabilities at fair value through profit or loss as of December 31, 2021 and 2020, respectively.

(14) Bonds payable

(A) Details of bonds payable:

	As of December 31,	
	2021	2020
Liability component:		
Principal amount	\$56,200	\$349,900
Discounts on bonds payable	(1,907)	(19,521)
Subtotal	54,293	330,379
Less: current portion	-	-
Net amount	\$54,293	\$330,379
Embedded derivative financial instruments	\$169	\$(385)
Equity component - conversion rights	\$2,709	\$16,865

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 (22).

RiTdisplay Corporation

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

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

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(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
- (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.

RiTdisplay Corporation

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

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

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Due to the distribution of cash dividends on ordinary shares in 2020, the company adjusted the conversion price based on the provisions for issuance and conversion of the first time unsecured convertible bonds. As a result, the conversion price has been adjusted from NT\$50.80 to NT\$50.40 since July 19, 2020.

Due to the distribution of cash dividends on ordinary shares in 2021, the company adjusted the conversion price based on the provisions for issuance and conversion of the first time unsecured convertible bonds. As a result, the conversion price has been adjusted from NT\$50.40 to NT\$47.45 since September 20, 2021.

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

RiTdisplay Corporation

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

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

(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,	
	2021	2020
Syndicated loans	\$260,000	\$450,000
Bank loans	166,636	125,582
Subtotal	426,636	575,582
Less: arrangement fee	(551)	(1,599)
Less: current portion	(239,104)	(215,559)
Non-current portion	\$186,981	\$358,424
Interest rate (%)	1.450%~1.930%	1.750%~1.8421%

RiTdisplay Corporation

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

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

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A. 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.

The above ratio and standard shall be checked every six months according to the consolidated financial reports of the year (half year) audited (reviewed) by the independent auditors. The financial ratio as of December 31, 2021 and 2020 was satisfactory to the regulations of syndicated loan contract granted by preceding united banking group.

B. The remaining loan repayment period starts from 2017 to 2026 by stages.

C. 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, 2021 and 2020 were NT\$8,619 thousand and NT\$7,301 thousand, respectively.

RiTdisplay Corporation

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

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

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Additional pension expenses recognized for the executives commissioned by the Company amounted to NT\$3,461 thousand for both the years ended December 31, 2021 and 2020.

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. 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, 2021.

As of December 31, 2021 and 2020, the maturities of the Company's defined benefit plan were both expected in 2031.

RiTdisplay Corporation

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

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

Pension costs recognized in profit or loss is as follows:

	For the year ended December 31,	
	2021	2020
Current period service costs	\$214	\$432
Net interest expense (income)	(149)	(301)
Total	\$65	\$131

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

	As of December 31,	
	2021	2020
Defined benefit obligation	\$54,218	\$56,275
Plan assets at fair value	(40,576)	(39,078)
Other non-current liabilities – net defined benefit liability	\$13,642	\$17,197

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

	Present value of defined benefit obligation		Net defined benefit liability (asset)
		Fair value of plan assets	
As of January 1, 2020	\$52,644	\$(36,738)	\$15,906
Current period service costs	432	-	432
Net interest expense (income)	-	(301)	(301)
Subtotal	432	(301)	131
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)

RiTdisplay Corporation

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)
Subtotal	3,199	(1,245)	1,954
Payment from the plan	-	(794)	(794)
As of December 31, 2020	56,275	(39,078)	17,197
Current period service costs	214	-	214
Net interest expense (income)	-	(149)	(149)
Subtotal	214	(149)	65
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	176	-	176
Actuarial gains and losses arising from changes in financial assumptions	(1,761)	-	(1,761)
Experience adjustments	(686)	-	(686)
Re-measurement on defined benefit assets	-	(555)	(555)
Subtotal	(2,271)	(555)	(2,826)
Contributions by employer	-	(794)	(794)
As of December 31, 2021	\$54,218	\$(40,576)	\$13,642

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

	As of December 31,	
	2021	2020
Discount rate	0.61%	0.38%
Expected rate of salary increases	3.00%	3.00%



RiTdisplay Corporation

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

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

Sensitivity analysis:

	For the year ended December 31,			
	2021		2020	
	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%	\$-	\$(3,583)	\$-	\$(3,993)
Discount rate decreased 0.5%	3,951	-	4,426	-
Expected salary increased 0.5%	3,836	-	4,286	-
Expected salary decreased 0.5%	-	(3,520)	-	(3,915)

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, 2021 and 2020, the Company's authorized capital were NT\$10,000,000 thousand, and paid-in capital were NT\$680,090 thousand and NT\$676,301 thousand, respectively, each share at par value of NT\$10, divided into 68,009 thousand and 67,630 thousand shares, respectively. Each share except treasury stock has one voting right and a right to receive dividends.

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)

For the year ended December 31, 2021, the unsecured convertible bonds in amount of NT\$293,700 thousand was applied to convert into common stock NT\$61,662 thousand, divided into 6,166 thousand shares, each share at par value of NT\$10. However, 5,789 thousand shares of convertible bonds which did not convert into common shares yet, were recognized as bond conversion entitlement certificates as of December 31, 2021.

B. Capital surplus

	As of December 31,	
	2021	2020
Additional paid-in capital	\$781,940	\$545,717
Changes in interests in subsidiaries	-	76
Differences between consideration given and carrying amount of interests in subsidiaries acquired	-	1,379
Share of changes in net assets of associates and joint ventures accounted for using equity method	1,311	1,512
Expired employee stock option	4,462	4,462
Conversion right	2,709	16,865
Total	<u>\$790,422</u>	<u>\$570,011</u>

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

Treasury stock amounted to NT\$51,486 thousand and 1,000 thousand shares, as of December 31, 2021 and 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 movement schedule of treasury stock for the year ended December 31, 2021 was as below (in thousand shares):

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the year ended December 31, 2021</u>				
Transfer to employees	1,000	-	-	1,000

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

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.

RiTdisplay Corporation

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

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

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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.

The Company operates in the industry with rapid change and the Company's life cycle is currently at the growing stage. As the result, the company's dividend payout policy is set in consideration of the capital needs, long-term financial plan and the potential growth of earnings which fulfills the shareholders' requirement of cash flows. As the result, the Board of Directors determine the distribution plan and report to the Shareholder's meeting every year.

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.

RiTdisplay Corporation

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

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

When the company distributing distributable earnings, it shall set aside to special reserve, 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 for the adoption of IFRS, 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 from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company’s first-time adoption of the IFRS, 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 special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

The Company did not incur any special reserve upon the first-time adoption of the T-IFRS.

The appropriations of earnings for the years 2021 and 2020 were approved through the Board of Directors’ meetings and shareholders’ meetings held on March 21, 2022 and August 12, 2021, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2021	2020	2021	2020
Legal reserve	\$19,397	\$19,976		
Special reserve	244	2,853		
Cash dividend	147,695	200,676	\$2.0	\$3.0

Please refer to Note 6(21) for details on employees’ compensation and remuneration to directors and supervisors.

RiTdisplay Corporation

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

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

(18) Operating revenue

	For the year ended December 31,	
	2021	2020
Revenue from customer contracts		
Sales of goods	\$1,602,897	\$1,533,533
Other operating revenue	8,716	8,895
Total	<u>\$1,611,613</u>	<u>\$1,542,428</u>

Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2021	2020
	Single department	Single department
Sales of goods	<u>\$1,611,613</u>	<u>\$1,542,428</u>
The timing for revenue recognition:		
At a point of time	<u>\$1,611,613</u>	<u>\$1,542,428</u>

B. Contract balances

(a) Contract liabilities – current

	As of December 31,	
	2021	2020
Sales of goods	<u>\$891</u>	<u>\$3,189</u>

RiTdisplay Corporation

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

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

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The changes in the Company's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	For the year ended December 31,	
	2021	2020
The opening balance transferred to revenue	\$(3,189)	\$(3,287)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	891	3,189

C. Assets recognized from costs to fulfil a contract

None.

(19) Expected credit losses/ (gains)

	For the year ended December 31,	
	2021	2020
Operating expenses – Expected credit losses/(gains)		
Accounts receivable	\$5,721	\$4,274

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

## RiTdisplay Corporation

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

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

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, 2021 and 2020 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, 2021

	Not yet due	Overdue						Total
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	>=150 days	
Gross carrying amount	\$199,470	\$24,348	\$6,303	\$-	\$2,262	\$-	\$9,885	\$242,268
Loss ratio	-%	-%	-%	-%	12%	-%	100%	
Lifetime expected credit losses	-	-	-	-	(278)	-	(9,885)	(10,163)
Carrying amount of accounts receivable	\$199,470	\$24,348	\$6,303	\$-	\$1,984	\$-	\$-	\$232,105

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)

B. The movement in the provision for impairment of accounts receivable during the years ended December 31, 2021 and 2020 are as follows:

	<u>Accounts receivable</u>
Beginning balance as of January 1, 2021	\$4,442
Addition for the current period	<u>5,721</u>
Ending balance as of December 31, 2021	<u><u>\$10,163</u></u>
	<u>Accounts receivable</u>
Beginning balance as of January 1, 2020	\$168
Addition for the current period	<u>4,274</u>
Ending balance as of December 31, 2020	<u><u>\$4,442</u></u>

(20) 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 terminated lease in advance.

(a) Amounts recognized in the balance sheet

Right of use assets and lease liabilities were both NT\$0 as of December 31, 2021 and 2020.

Please refer to Note 6(22)(C) for the interest on lease liability recognized during for the years ended December 31, 2021 and 2020.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Buildings	<u>\$-</u>	<u>\$1,757</u>

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,	
	2021	2020
The expense relating to short-term leases (rent expenses)	\$-	\$-
The expenses relating to variable lease payments not included in the measurement of lease liabilities	-	691
Total	<u>\$-</u>	<u>\$691</u>

(d) Cash outflow relating to leasing activities

	For the year ended December 31,	
	2021	2020
Cash outflow for leases	<u>\$-</u>	<u>\$2,481</u>

(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 NT\$6 ~ NT\$7.5 thousand rent will be incurred per additional NT\$100 thousand of power sales revenue.

RiTdisplay Corporation

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

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

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.

	For the year ended December 31,	
	2021	2020
Lease income recognized under operating lease		
Income relating to fixed lease payments	\$79,885	\$75,880

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, 2021 and 2020 are as follows:

	For the year ended December 31,	
	2021	2020
Less than one year	\$66,707	\$66,004
More than one year but less than five years	197,918	191,182
More than five years	65,606	127,455
Total	\$330,231	\$384,641

RiTdisplay Corporation

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

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

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

Function  Nature	For the year ended December 31,					
	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salaries & wages	\$95,992	\$86,892	\$182,884	\$89,894	\$87,919	\$177,813
Labor and health insurance	11,729	5,621	17,350	9,882	5,022	14,904
Pension	5,769	6,376	12,145	4,864	6,029	10,893
Directors' remuneration	-	12,724	12,724	-	15,982	15,982
Other employee benefit	3,750	2,703	6,453	3,566	2,574	6,140
Depreciation(Note 1)	92,859	13,914	106,773	94,519	15,524	110,043
Amortization	-	19,117	19,117	-	19,117	19,117

Note 1 : Including recognized as other gains and losses.

Note 2 : The average headcounts per month of the Company amounted to 232 and 220 for the years ended December 31, 2021 and 2020, respectively, of which 7 directors were not employees.

RiTdisplay Corporation

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

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

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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 2021 and 2020 are NT\$973 thousand and NT\$985 thousand respectively.
- (2) Average salaries of 2021 and 2020 are NT\$813 thousand and NT\$835 thousand respectively.
- (3) Changes in average salaries are 3%.
- (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.

Based on profit of the year ended December 31, 2021, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to NT\$9,020 thousand (3.50%) and NT\$3,866 thousand (1.50%), respectively. And 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. The aforementioned employees' compensation and remuneration to directors were recognized as employee benefit expense.

RiTdisplay Corporation

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

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

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$9,020 thousand and NT\$3,866 thousand, respectively, in a meeting held on March 21, 2022. 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, 2021.

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.

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.

(22) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$1,756	\$2,904
Rental income	79,885	75,880
Other income	21,350	30,813
Dividend income	3,046	1,448
Total	<u>\$106,037</u>	<u>\$111,045</u>

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,	
	2021	2020
Gains on disposal of property, plant and equipment	\$2,533	\$5,586
Gains on disposal of investments	16,877	15,404
Foreign exchange losses	(6,675)	(13,707)
Gains (losses) on financial assets at fair value through profit or loss	2,526	(3,362)
Gain on lease modification	-	64
Impairment losses	-	(8,346)
Other losses	(11,796)	(12,169)
Total	\$3,465	\$(16,530)

C. Finance costs

	For the year ended December 31,	
	2021	2020
Interest on bank loans	\$10,014	\$16,323
Interest on bonds payable	7,263	3,463
Interest on lease liabilities	-	28
Imputed interest on deposit	144	141
Total	\$17,421	\$19,955

RiTdisplay Corporation

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

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

(23) Components of other comprehensive income

For the year ended December 31, 2021

	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	\$2,826	\$-	\$2,826	\$-	\$2,826
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(1,171)	-	(1,171)	-	(1,171)
<u>Items that may subsequently be reclassified to profit or loss:</u>					
Share of other comprehensive income (loss) of associates and joint	(89)	-	(89)	-	(89)
<b>Total</b>	<b>\$1,566</b>	<b>\$-</b>	<b>\$1,566</b>	<b>\$-</b>	<b>\$1,566</b>

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)
<b>Total</b>	<b>\$(4,571)</b>	<b>\$-</b>	<b>\$(4,571)</b>	<b>\$(5,075)</b>	<b>\$(9,646)</b>



RiTdisplay Corporation

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

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

(24) Income tax

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2021	2020
Current income tax expense (income):		
Current income tax expense	\$910	\$1,907
Adjustments in respect of current income tax of prior periods	(689)	(989)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(2,908)	(749)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	79,149	93,096
Deferred tax expense arising from write-down or reversal of deferred tax assets	(23,790)	(39,539)
Total income tax expense	<u>\$52,672</u>	<u>\$53,726</u>

RiTdisplay Corporation

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

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

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

	For the year ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	\$244,832	\$260,280
Tax payable at the enacted tax rates	\$48,967	\$52,056
Tax effect of expenses not deductible for tax purposes	(8,143)	(7,520)
Tax effect of deferred tax assets/liabilities	11,627	8,273
Surtax on undistributed earnings	-	61
Adjustment in respect of current income tax of prior periods	(689)	(989)
Other adjustments according to the Tax Law	910	1,845
Total income tax recognized in profit or loss	\$52,672	\$53,726

RiTdisplay Corporation

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

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

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Unrealized exchange loss (gain)	\$(493)	\$1,219	\$-	\$726
Unrealized loss on inventory valuation	2,920	360	-	3,280
Expected credit losses	350	1,144	-	1,494
Unrealized intragroup profits and losses	507	(507)	-	-
Net defined benefit asset	5,368	692	-	6,060
Unused tax losses	271,763	(55,359)	-	216,404
Deferred tax(expense)/ income		<u>\$(52,451)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$280,415</u>			<u>\$227,964</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$280,908</u>			<u>\$227,964</u>
Deferred tax liabilities	<u>\$(493)</u>			<u>\$-</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, 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>

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, 2021	2020	
2011	\$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>\$1,457,427</u>	<u>\$1,062,676</u>	<u>\$1,457,427</u>	

RiTdisplay Corporation

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, 2021 and 2020, deferred tax assets that have not been recognized amounted to NT\$0 thousand and NT\$23,790 thousand, respectively.

B. The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company have been approved up to the year of 2019.

(25) 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,	
	2021	2020
Net income attributable to common shareholders of the Company	\$192,160	\$206,554
Weighted average number of common stocks outstanding (in thousand shares)	67,210	67,560
Basic earnings per share (in NT\$)	\$2.86	\$3.06

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,	
	2021	2020
Net income attributable to common shareholders of the Company	\$192,160	\$206,554
Interest expense on convertible bonds	7,263	3,463
Valuation adjustment of financial assets liabilities at fair value through profit or loss	(174)	(735)
Net income attributable to common shareholders of the Company after dilution	<u>\$199,249</u>	<u>\$209,282</u>
Weighted average number of common stocks outstanding for basic earnings per share (in thousand shares)	67,210	67,560
Effect of dilution:		
Employees' compensation - stock (in thousand shares)	144	196
Convertible bonds (in thousand shares)	6,773	3,162
Weighted average number of common stocks outstanding after dilution (in thousand shares)	<u>74,127</u>	<u>70,918</u>
Diluted earnings per share (NT\$)	<u>\$2.69</u>	<u>\$2.95</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

Related parties	Relationship
Ritek Corporation	Ultimate parent company
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	Ultimate parent company's 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
Ritwin Corporation	Subsidiary
Ikari Coffee Co., Ltd.	Ultimate parent company's associate

Significant transactions with related parties

A. Sales

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary	\$-	\$1

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,	
	2021	2020
Kunshan Hutek Co., Ltd.	\$279,352	\$212,306
Other related parties	-	1
Total	\$279,352	\$212,307

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,	
	2021	2020
Parent company	\$6	\$13
Subsidiary	12,351	300
Associate	-	32
Other related parties	-	133
Total	\$12,357	\$478

D.Accounts payable-related parties

	As of December 31,	
	2021	2020
Parent company	\$-	\$192
Kunshan Hutek Co., Ltd.	161,371	153,395
Other related parties	-	1
Total	\$161,371	\$153,588



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,	
	2021	2020
Parent company	\$2,578	\$4,423
Subsidiary	250	75
Other related parties	623	482
Total	\$3,451	\$4,980

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

	As of December 31,	
	2021	2020
Other related parties	\$-	\$5

G. Lease-related parties

(a) Lease payments (Rental expense)

	For the year ended December 31,	
	2021	2020
Aimcore Technology Co., Ltd.	\$-	\$1,791
Other related parties	-	135
Total	\$-	\$1,926

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

(b) Rental income

	For the year ended December 31,	
	2021	2020
Aimcore Technology Co., Ltd.	\$3,009	\$2,781
Other related parties	-	248
Total	\$3,009	\$3,029

RiTdisplay Corporation

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

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

(c) Interest expenses of lease liabilities

	For the year ended December 31,	
	2021	2020
Aimcore Technology Co., Ltd.	\$-	\$28

H. Operating expense

Related parties	Nature	For the year ended December 31,	
		2021	2020
Parent company	Information system maintenance and other expense etc.	\$5,044	\$5,047
Subsidiary	Processing expense and other expense etc.	638	433
Other related parties	Manpower support and other expense etc.	3,930	921
Total		\$9,612	\$6,401

I. Other income

	For the year ended December 31,	
	2021	2020
Parent company	\$6	\$13
Subsidiary	12,039	300
Associate	45	135
Other related parties	219	523
Total	\$12,309	\$971

RiTdisplay Corporation

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

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

J. Transation of assets

Details of property transation with related parties were as follows :

<u>Related parties</u>	<u>Items</u>	<u>Purchase/sell price</u>	<u>Reference basis for price decision</u>
<u>2021</u>			
None			
<u>2020</u>			
Other related parties	Purchase of Machinery	\$3,106	Bidding

K. Salaries and rewards to key management of the Company

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$34,223	\$26,692
Post-employee benefits	324	270
Total	<u>\$34,547</u>	<u>\$26,962</u>

8. ASSETS PLEDGED AS COLLATERAL

The following assets of the Company were pledged as collaterals:

<u>Items</u>	<u>Carrying amount as of December 31,</u>		<u>Secured liabilities</u>
	<u>2021</u>	<u>2020</u>	
Property, plant and equipment-land	\$471,901	\$471,901	Long-term secured loans
Property, plant and equipment-depreciated assets	829,753	869,946	Long-term secured loans
Investment property	234,730	233,459	Long-term secured loans
Financial assets measured at amortized cost-current	3,010	3,006	Security deposit to custom authority and contract bond
Financial assets measured at amortized cost-non-current	5,047	6,207	Long-term secured loans
Total	<u>\$1,544,441</u>	<u>\$1,584,519</u>	

RiTdisplay Corporation

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

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

<u>Object</u>	<u>Item</u>	<u>Expiring date</u>	<u>Royalty calculation method</u>
Company A	Organic light emitting diode (OLED)	2023.12	Certain proportion of product sales revenue
Company B	Organic light emitting diode (OLED)	2022.03	Fixed royalty

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

- (1) The second unsecured convertible bonds in amount of NT\$600,000 thousand were issued on January 11, 2022, with the duration of 5 years and interest rate of 0%. Information on convertible bonds can be obtained from the “Market Observation Post System” on the website of the TWSE.
- (2) The Board of Directors authorized the president of the Company to acquire the common stocks of Welltech Energy Inc. up to the amount of NT\$180,000 thousand. After completing the transaction, the Company expects to acquire an ownership interest of over 50%.
- (3) The first unsecured convertible bonds in amount of NT\$31,900 thousand were applied to convert into 673 thousand shares from January to February 2022. Authorized capital were NT\$744,710 thousand after conversion, each share at par value of NT\$10, divided into 74,471 thousand shares.

## RiTdisplay Corporation

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

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

12.OTHERS

## (1) Categories of financial instruments

Financial assets

	As of December 31,	
	2021	2020
Financial assets at fair value through profit or loss:		
Measured at fair value through profit or loss	\$116,476	\$122,154
Financial assets at fair value through OCI	54,074	12,514
Financial assets measured at amortized cost (Note 1)	818,905	1,103,400
Total	<u>\$989,455</u>	<u>\$1,238,068</u>

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities at fair value through profit or loss:		
Financial liability held for trading	\$-	\$385
Financial liabilities at amortized cost:		
Short-term loans	274,800	142,153
Accounts payable (related parties included)	379,858	398,853
Bonds payable	54,293	330,379
Other payables (related parties included)	94,876	110,621
Long-term loans (including current portion with maturity less than 1 year)	426,085	573,983
Total	<u>\$1,229,912</u>	<u>\$1,556,374</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).

RiTdisplay Corporation

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

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

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(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.

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.

RiTdisplay Corporation

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

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

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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, 2021 and 2020 would increase/decrease by NT\$81 thousand and increase/decrease by NT\$342 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, 2021 and 2020 would increase/decrease by NT\$211 thousand and NT\$1,120 thousand, respectively.

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.

RiTdisplay Corporation

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

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

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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, 2021 and 2020 by NT\$1,163 thousand and NT\$922 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\$541 thousand and NT\$125 thousand of the equity attributable to the Company for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, receivables from the top ten customers were accounted for 46% and 74% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

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.



RiTdisplay Corporation

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

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

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) Liquidity 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, 2021								
Loans	\$520,497	\$141,725	\$27,533	\$2,238	\$19,284	\$-	\$711,277	
Payables	474,734	-	-	-	-	-	474,734	
Bonds Payable	-	56,200	-	-	-	-	56,200	
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	

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, 2021:

	Short-term loans	Long-term loans	Other non- current liability	Bonds payable	Total liabilities from financing activities
As of January 1, 2021	\$142,153	\$573,983	\$37,148	\$330,379	\$1,083,663
Cash flows	132,647	(147,898)	3,329	-	(11,922)
Non-cash changes	-	-	-	(276,086)	(276,086)
As of December 31, 2021	<u>\$274,800</u>	<u>\$426,085</u>	<u>\$40,477</u>	<u>\$54,293</u>	<u>\$795,655</u>

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

	Short-term loans	Long-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	<u>\$142,153</u>	<u>\$573,983</u>	<u>\$-</u>	<u>\$37,148</u>	<u>\$330,379</u>	<u>\$1,083,663</u>

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,	
	2021	2020
Financial liabilities		
Bonds payable	\$54,293	\$330,379
	Fair value as of December 31,	
	2021	2020
Financial liabilities		
Bonds payable	\$54,587	\$335,659

RiTdisplay Corporation

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

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

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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

As of December 31, 2021, information of undue derivative instruments that do not qualified as hedge accounting is summarized as follows:

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(2) and 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, 2021

	<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	\$116,307	\$-	\$-	\$116,307
Embedded derivatives	-	-	169	169
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	8,186	-	45,888	54,074
Total	<u>\$124,493</u>	<u>\$-</u>	<u>\$46,057</u>	<u>\$170,550</u>

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-non-current				
Embedded derivatives	\$-	\$-	\$385	\$385

RiTdisplay Corporation

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

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, 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:

	Assets	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
	Stock	Stock
As of January 1, 2021	\$29,997	\$-
Total gains and losses recognized for the year ended December 31, 2021:		
Amount recognized in profit or loss (presented in “other gains and losses”)	7,777	-
Acquisition for the year ended December 31, 2021	-	45,888
Disposal for the year ended December 31, 2021	(37,774)	-
As of December 31, 2021	<u>\$-</u>	<u>\$45,888</u>

	Liabilities
	Derivatives at fair value through profit or loss
As of January 1, 2021	\$385
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in profit or loss (presented in “other gains and losses”)	(174)
Disposal for the year ended December 31, 2021	(380)
As of December 31, 2021	<u>\$(169)</u>

RiTdisplay Corporation

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

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

	<u>Assets</u>
	<u>Financial assets at fair value through profit or loss</u>
	<u>Stock</u>
As of January 1, 2020	\$-
Acquisition for the year ended December 31, 2020	29,997
As of December 31, 2020	<u>\$29,997</u>
	<u>Liabilities</u>
	<u>Derivatives at fair value through profit or loss</u>
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
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, 2021

	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					
Embedded derivatives	A binomial-tree model for convertible bond pricing	Volatility	45.29%	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\$30 thousand

As of December 31, 2020

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, 2021

	<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))	<u>\$-</u>	<u>\$-</u>	<u>\$748,298</u>	<u>\$748,298</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$54,587</u>	<u>\$54,587</u>

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))	<u>\$-</u>	<u>\$-</u>	<u>\$748,298</u>	<u>\$748,298</u>
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 12(7))	<u>\$-</u>	<u>\$-</u>	<u>\$335,659</u>	<u>\$335,659</u>

RiTdisplay Corporation

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

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

(10) Significant assets and liabilities denominated in foreign currencies (in thousands dollars)

	As of December 31,					
	2021			2020		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$12,062	27.63	\$333,217	\$11,907	28.05	\$333,985
<u>Financial liabilities</u>						
Monetary items:						
USD	12,272	27.81	341,285	13,039	28.24	368,221

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,	
	2021	2020
USD	\$(5,300)	\$(13,695)
Other	(1,375)	(12)
Total	\$(6,675)	\$(13,707)

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.

RiTdisplay Corporation

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

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

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(12) Impact of the Covid-19 pandemic on the Company

The Covid-19 outbreak took place in January 2020 and had no significant impact on the Company.

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, 2021 (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, 2021: 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, 2021: None.

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, 2021: 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, 2021: 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, 2021: None.

I. Derivative instrument transactions: None.

RiTdisplay Corporation

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

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

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(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): Please refer to attachment 4.

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

(4) Information on major shareholders

	Shares	
Major shareholders	Shares	%
Ritek Corporation	24,795,111	33.64%
U-tech Media Corporation	4,985,689	6.76%
Ding Guan Bo	4,500,000	6.10%
Prorit Corporation	3,797,950	5.15%

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)

Attachment 1: Marketable securities held as of December 31, 2021

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities (Note1)	Relationship with the Issuer	Financial Statement Account	As of December 31, 2021				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	53,000	\$948	0.0018%	\$959	
	Kaimei Electronic Corporation	-	Financial assets at fair value through profit or loss - current	161,000	16,506	0.1185%	16,261	
	Foxsemicon Integrated Technology Corporation	-	Financial assets at fair value through profit or loss - current	36,000	7,521	0.0410%	9,180	
	Shin Kong Financial Holding Co.,Ltd. - Preferred Shares B	-	Financial assets at fair value through profit or loss - current	1,111,000	49,995	0.0077%	47,607	
	Global Brands Manufacture Ltd.	-	Financial assets at fair value through profit or loss - current	96,840	2,606	0.0204%	3,738	
	Taiwan Surface Mounting Technology Corporation	-	Financial assets at fair value through profit or loss - current	78,000	9,368	0.0267%	9,633	
	Compeq Manufacturing Company Limited	-	Financial assets at fair value through profit or loss - current	90,000	3,857	0.0076%	3,938	
	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through profit or loss - current	9,000	649	0.0003%	641	
	Formosa Petrochemical Corporation	-	Financial assets at fair value through profit or loss - current	57,000	5,879	0.0006%	5,466	
	Ardentec Corporation	-	Financial assets at fair value through profit or loss - current	4,000	222	0.0008%	222	
	Nak Sealing Technologies Corporation	-	Financial assets at fair value through profit or loss - current	36,000	3,385	0.0433%	3,532	
	Radiant Opto-Electronics Corporation	-	Financial assets at fair value through profit or loss - current	42,000	4,863	0.0090%	4,242	
	Far Eastern New Century Corporation	-	Financial assets at fair value through profit or loss - current	81,000	2,486	0.0015%	2,373	
	Universal Cement Corporation	-	Financial assets at fair value through profit or loss - current	47,000	1,045	0.0072%	1,015	
	Yuanta Financial Holding Co., Ltd	-	Financial assets at fair value through profit or loss - current	91,000	2,387	0.0007%	2,302	
	Cheng shin rubber ind. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	43,000	1,707	0.0013%	1,552	
	Chilisin Electronics Corp.	-	Financial assets at fair value through profit or loss - current	32,000	2,928	0.0121%	3,027	
	Champion Microelectronic Corp.	-	Financial assets at fair value through profit or loss - current	9,000	595	0.0113%	619	
	Less: Valuation adjustments of financial assets at fair value through profit or loss				(640)			
	Total				<u>\$116,307</u>		<u>\$116,307</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	363,000	\$13,437	1.1297%	\$8,186	
	Sg Biomedical Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,434,000	45,888	10.3836%	45,888	
	Less: Valuation adjustments of financial assets at fair value through other comprehensive income				(5,251)			
	Total				<u>\$54,074</u>		<u>\$54,074</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)

(In Thousands of New Taiwan Dollars)

Attachment 2: Related party trasactions with purchase or sale amount of at least NTS\$100 million or 20% of the paid-in capital for the year ended December 31, 2021

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>\$279,352</u>	<u>31.37%</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>\$(161,371)</u>	<u>42.48%</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, 2021 (In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2021	As of December 31, 2020	Shares	%	Carrying Value			
RiTdisplay Corporation	Pvnext Corporation	Taiwan	Electronics industry	\$90,000	\$90,000	3,600,000	4.31%	\$-	\$(54,081)	\$-	
RiTdisplay Corporation	Luminit Automotive Technology Corporation	Taiwan	Electronics industry	30,000	30,000	1,350,000	31.03%	27,966	2,487	725	
RiTdisplay Corporation	Newrit Asset Co., Ltd.	Taiwan	Leasing business	55,000	55,000	5,500,000	64.94%	55,744	719	483	Subsidiary
RiTdisplay Corporation	Cashido Corporation	Taiwan	Electronics industry	40,996	40,996	4,326,117	78.66%	52,291	147	115	Subsidiary
RiTdisplay Corporation	Welltech Energy Inc.	Taiwan	Electronics industry	129,991	29,997	8,104,000	20.89%	144,093	36,254	6,410	(Note1)
RiTdisplay Corporation	Ritwin Corporation	Taiwan	Electronics industry, manufacturing, battery manufacturing	94,120	-	9,412,000	94.12%	106,391	15,224	13,974	Subsidiary (Note2)

Note: 1. The Company reinvested NT\$99,994 thousand in Welltech Energy Inc. in March 2021 and acquired 8,104 thousand shares in total. The interest ownership increased from 5.86% to 21.39%.

The investment of the company was reclassified from financial assets measured at fair value through profit and loss to investments accounted for under the equity method.

In March 31, 2021, Welltech Energy Inc. executed employee stock options conversion, and the Company's interest ownership decreased to 20.89%.

Note2 : The Company participated in capital increase of Ritwin Corporation and invested in NT\$ 94,120 thousand for interest ownership of 94.12% on July 16, 2021.

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

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

Attachment 4: Acquired of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital

Acquired Company	Name of Property	Transaction Date (Note 1)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Disposal	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Newrit Asset Co., Ltd.	Located at No. 24 and 29, Xinxing Section, Zhongxing Section, Hukou Township, Hsinchu County, Building Nos. 1739 and 1746, Xinxing Section, Zhongxing Section, Hukou Township, Hsinchu County.	2021.11.12	\$720,000	\$120,000	Ritek Corporation	Ultimate parent company	ZHI-DIE Corporation	None	2000.8.1	\$196,888	Huaxin Real Estate Appraiser United Firm 7.32 billion	Leasing to others to expand asset leasing business	



RiTdisplay Corporation

1. Statement of Cash and Cash Equivalents

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description		Amount	Note
Cash and petty cash			\$679	1.Exchange Rate
				NTD : USD=1 : 27.627
Savings:				NTD : JPY=1 : 0.2386
Checking Deposits			427	NTD : EUR=1 : 31.130
Demand Deposits			259,090	NTD : GBP=1 : 37.100
Foreign currency deposit				
USD			126,550	2.Cash and Cash equivalents
JPY			3,026	were not pledged.
EUR			55	
GBP			3,116	
Subtotal			392,264	
Time deposits:				
	<u>Period</u>	<u>Interest rate</u>		
Taiwan Cooperative Bank	2021/11/23~2022/1/23	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/16~2022/1/16	0.35%	4,900	
Taiwan Cooperative Bank	2021/12/01~2022/2/01	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/30~2022/1/30	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/29~2022/1/29	0.35%	4,900	
Taiwan Cooperative Bank	2021/12/02~2022/2/02	0.35%	1,000	
Taiwan Cooperative Bank	2021/11/17~2022/1/17	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/15~2022/1/15	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/22~2022/1/22	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/18~2022/1/18	0.35%	4,900	
Taiwan Cooperative Bank	2021/11/24~2022/1/24	0.35%	4,900	
Jih Sun International Bank	2021/11/10~2022/1/10	0.35%	4,900	
Jih Sun International Bank	2021/12/29~2022/3/01	0.35%	4,000	
E.sun Commercial Bank, Ltd.	2021/12/06~2022/2/06	0.34%	60,000	
Subtotal			118,900	
Cash equivalents				
Resale agreements collateralized by bonds			50,000	
Total			\$561,843	

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 - current

As of December 31, 2021

(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	53,000	\$10.00	\$948	-	\$948	\$18.10	\$959	Financial Assets at Fair Value through Profit or Loss were not pledged.	
Kaimei Electronic Corporation	161,000	10.00	16,506	-	16,506	101.00	16,261		
Foxsemicon Integrated Technology Corporation	36,000	10.00	7,521	-	7,521	255.00	9,180		
Shin Kong Financial Holding Co.,Ltd. - Preferred Shares B	1,111,000	10.00	49,995	-	49,995	42.85	47,607		
Global Brands Manufacture Ltd.	96,840	10.00	2,606	-	2,606	38.60	3,738		
Taiwan Surface Mounting Technology Corporation	78,000	10.00	9,368	-	9,368	123.50	9,633		
Compeq Manufacturing Company Limited	90,000	10.00	3,857	-	3,857	43.75	3,938		
Powerchip Semiconductor Manufacturing Corporation	9,000	10.00	649	-	649	71.20	641		
Formosa Petrochemical Corporation	57,000	10.00	5,879	-	5,879	95.90	5,466		
Ardentec Corporation	4,000	10.00	222	-	222	55.50	222		
Nak Sealing Technologies Corporation	36,000	10.00	3,385	-	3,385	98.10	3,532		
Radiant Opto-Electronics Corporation	42,000	10.00	4,863	-	4,863	101.00	4,242		
Far Eastern New Century Corporation	81,000	10.00	2,486	-	2,486	29.30	2,373		
Universal Cement Corporation	47,000	10.00	1,045	-	1,045	21.60	1,015		
Yuanta Financial Holding Co., Ltd	91,000	10.00	2,387	-	2,387	25.30	2,302		
Cheng shin rubber ind. Co., Ltd.	43,000	10.00	1,707	-	1,707	36.10	1,552		
Chilisin Electronics Corp.	32,000	10.00	2,928	-	2,928	94.60	3,027		
Champion Microelectronic Corp.	9,000	10.00	595	-	595	68.80	619		
Less: Valuation adjustments of financial assets at fair value through profit or loss					(640)				
Total					<u>\$116,307</u>		<u>\$116,307</u>		

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 - current

As of December 31, 2021

(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.	363,000	\$10.00	\$13,437	-	\$13,437	\$22.55	\$8,186	Financial Assets at Fair Value through Other Comprehensive Income were not pledged.
Sg Biomedical Co., Ltd.	1,434,000	10.00	45,888	-	45,888	32.00	45,888	
Less: Valuation adjustments of financial assets at fair value through other comprehensive income					(5,251)		-	
Total					<u>\$54,074</u>		<u>\$54,074</u>	

RiTdisplay Corporation

4. Statement of Financial Assets Measured at Amortized Cost

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non Current:			
Saving Deposits	Long-term secured loans for Bank of Taiwan.	\$5,047	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.	3,010	
Total		<u>\$8,057</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, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	\$33,966	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	28,180	
Client C	23,318	
Client D	18,223	2.The account receivable in the left column were due to operation and were not pledged.
Client E	12,904	
Others	<u>125,677</u>	3.The accounts receivable in the left column were not from related parties.
Subtotal	242,268	
Less: loss allowance	<u>(10,163)</u>	
Net	<u><u>\$232,105</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, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Income tax refund receivable	\$2,000	
Others	<u>2,543</u>	
Total	<u><u>\$4,543</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, 2021

(In Thousands of New Taiwan Dollars)

Related Parties	Amount	Note
Newrit Asset Co., Ltd.	\$12,026	Equipment refurbishment
Ritwin Corporation	325	Miscellaneous acquisitions
Ritek Corporation	<u>6</u>	Administrative and support services
Total	<u><u>\$12,357</u></u>	

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

RiTdisplay Corporation

8. Statement of Inventories

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Finished goods	\$3,637	\$2,899	1. Inventories are valued at lower of cost or net realizable value item by item.
Work in progress	18,049	16,538	
Raw and supplies materials	43,710	43,505	
Subtotal	\$65,396	\$62,942	2. Inventories were not provided as security or pledge.
Less: allowance for inventory valuation losses	(16,400)		
Net	\$48,996		



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

RiTdisplay Corporation

9. Statement of Prepayments

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Prepayment for purchases	\$19,369	
Other prepayments		
Prepaid expenses	12,500	
Prepaid insurance	1,504	
Subtotal	14,004	
Others	3,224	
Net	<u>\$36,597</u>	

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RiTdisplay Corporation

10. Statement of Other Current Assets

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Temporary payments	<u>\$15</u>	

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

RiTdisplay Corporation

11.Statement of Financial Assets at Fair Value Through Profit or Loss - Non-Current

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2021		Additions		Decrease		As of December 31, 2021		Provision of guarantees or pledges	Note
	Shares (in thousand)	book value	Shares (in thousand)	amount	Shares (in thousand)	amount	Shares (in thousand)	book value		
Redemption option of the issuer and put option of embedded derivatives		<u>\$(385)</u>		<u>\$554</u> Note1		<u>\$ -</u>		<u>\$169</u>	None	

Note1 : The bond evaluation adjustment was NT\$174 thousand and the conversion of certificates of bonds-to-share adjustment was NT\$380 thousand.

## RiTdisplay Corporation

## 12. Statement of Changes in Investment Accounted for Under Equity Method

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2021			Additions		Decrease		As of December 31, 2021			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%	\$27,241	-	\$725 (Note1)	-	\$-	1,350	31.03%	\$27,966	20.72	\$27,966	None	
Newrit Asset Co., Ltd.	5,500	78.74%	55,214	-	530 (Note2)	-	-	5,500	64.94%	55,744	10.14	55,744	None	
Cashido Corporation	3,933	78.66%	52,176	393	115 (Note3)	-	-	4,326	78.66%	52,291	12.09	52,291	None	
Welltech Energy Inc.	-	-%	-	8,104	144,093 (Note4)	-	-	8,104	20.89%	144,093	10.79	87,430	None	
Ritwin Corporation	-	-%	-	9,412	106,391 (Note5)	-	-	9,412	94.12%	106,391	11.30	106,391	None	
Pvnext Corporation	3,600	4.31%	3,447	-	-	-	-	3,600	4.31%	3,447	-	-	None	
Less: Accumulated impairment			(3,447)		-					(3,447)				
Total			<u>\$134,631</u>		<u>\$251,854</u>		<u>\$-</u>			<u>\$386,485</u>				

Note1: Including investment gain recognized under equity method amounted to NT\$725 thousand.

Note2: Including investment gain recognized under equity method amounted to NT\$483 thousand and changes in interests in subsidiaries amounted to \$47 thousand arising from capital increase of subsidiaries not proportionally recognized by the Company.

Note3: Including investment gain recognized under equity method amounted to NT\$115 thousand.

Note4: Investment of NT\$99,994 thousand was increased during the period. The investment of the company of NT\$37,774 thousand was reclassified from financial assets measured at fair value through profit and loss to investments accounted for under the equity method.

Recognition of the share of profit or loss of subsidiaries, associates and joint ventures accounted for under the equity method was NT\$6,410 thousand.

Share of other comprehensive income of subsidiaries, associates and joint ventures accounted using the equity method was NT\$ (89) thousand

and unrealized gains or losses of financial assets measured at fair value through other comprehensive income was NT\$4 thousand.

Note5: Investment of NT\$94,120 thousand was increased during the period. Recognition of the share of profit or loss of subsidiaries, associates and joint ventures accounted for under the equity method of NT\$13,974 thousand,

and adjustment of the capital reserve due to changes in the percentage of ownership was NT\$(1,703) thousand.

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

RiTdisplay Corporation

13. Statement of Short-term Loans

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Type	Description	As of December 31, 2021	Contract Period	Interest Rates	Loan Commitments	Collateral	Note
Bank of Taiwan	Working Capital of Operating	\$100,000	Within a year	0.90%	\$100,000	None	
Taiwan Cooperative Bank	Working Capital of Operating	80,000	Within a year	1.30%	80,000	None	
Entie Commercial Bank, Ltd	Working Capital of Operating	70,000	Within a year	1.07%	70,000	None	
Chang Hwa Commercial Bank, Ltd.	Working Capital of Operating	24,800	Within a year	1.20%	50,000	None	
Total		<u>\$274,800</u>			<u>\$300,000</u>		

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

RiTdisplay Corporation

14. Statement of Accounts Payable

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Note
Vendor F	Payment for goods	\$111,992	
Vendor A	Payment for goods	40,591	
Vendor G	Payment for goods	21,988	
Others	Payment for goods	<u>43,916</u>	
Total		<u><u>\$218,487</u></u>	

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

RiTdisplay Corporation

15. Statement of Other Payables

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued salaries and bonus		\$40,603	
Accrued remuneration to employee and directors		12,886	
Accrued administration expense		7,648	
Others		<u>30,288</u>	
Total		<u><u>\$91,425</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, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
As of January 1, 2021	\$1,614	
Add: Income tax expense for the year ended December 31, 2021	910	
Less: Adjustments in respect of current income tax of prior periods	(55)	
Payment for income tax incurred in 2020	<u>(1,559)</u>	
As of December 31, 2021	<u><u>\$910</u></u>	



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

RiTdisplay Corporation

17. Statement of Bonds Payable

As of December 31, 2021

(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, 2021			
First Unsecured Convertible Bonds Payable	Grand Fortune Securities Co.,Ltd	2020.7.17	-	-%	\$350,000	\$(293,800)	\$56,200	According to the terms of conversion, please refer to Note 6(14).	None	
Less: Discounts on bonds payable							(1,907)			
Net							<u>\$54,293</u>			

## RiTdisplay Corporation

## 18. Statement of Long-Term Loans

As of December 31, 2021

(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.	\$260,000	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.	9,750	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.	80,272	2017.12.29~2024.12.29	1.8000	Note1	
Jih Sun International Bank Co., Ltd	Effective March 31, 2021 to March 31, 2023, interest will be paid monthly, and the principal will be repaid 20% by 12 months on March 31, 2021 and 18 months, respectively, with the remainder paid when due.	50,000	2021.03.31~2023.03.31	1.4500	Note1	
Far Eastern International Bank Co., Ltd.	Effective March 16, 2021 to March 16, 2026, interest will be paid monthly, and the principal will be repaid in three months on March 31, 2021, repay to twenty installments by each month.	26,614	2021.03.16~2026.03.16	1.9300	Note1	
Total		426,636				
Less : Arrangement fee		(551)				
Current portion of long-term loans		(239,104)				
Non current portion of long-term loans		\$186,981				

Note1 : Please refer to Note 8.

RiTdisplay Corporation

19. Statement of Other Non-Current Liabilities

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Accrued pension expense for management	\$30,301	
Defined benefit plan	13,642	
Guarantee deposits	<u>10,176</u>	
Total	<u><u>\$54,119</u></u>	

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

RiTdisplay Corporation

20. Statement of Operating Revenues

For the Year ended December 31, 2021

(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	\$1,611,064	
Less: Sales return and allowance		(8,167)	
Others	Electricity selling revenue	<u>8,716</u>	
Net operating revenues		<u><u>\$1,611,613</u></u>	

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

RiTdisplay Corporation

21. Statement of Operating Costs

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Subtotal	Total	Note
Direct and supplies materials			
Add: Beginning balance	\$41,697		
Raw materials purchased	607,467		
Other transfer	2,754		
Less: Sales	(363,081)		
Department consumed	(34,940)		
Ending balance	<u>(43,710)</u>		
Direct and supplies materials used		\$210,187	
Direct labor		78,967	
Manufacturing overhead		<u>287,585</u>	
Manufacturing cost		576,739	
Add: Work in process, beginning balance	30,408		
Work in process purchased	166,360		
Less: Transfer to finished goods	(389,329)		
Department consumed	(223)		
Other transfer	251		
Work in process, ending balance	<u>(18,049)</u>	<u>(210,582)</u>	
Cost of finished goods		366,157	
Add: Finished goods, beginning balance	1,017		
Finished goods purchased	116,545		
Work in process transfer in	389,329		
Other transfer	15,344		
Less: Department consumed	(672)		
Finished goods, ending balance	<u>(3,637)</u>	<u>517,926</u>	
Cost of goods sold		884,083	
Cost of direct and supplies materials sold		363,081	
Loss from inventory valuation and obsolescence loss		1,800	
Other costs		<u>4,276</u>	
Total		<u><u>\$1,253,240</u></u>	

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

RiTdisplay Corporation

22. Statement of Manufacturing Overhead

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$35,280	1.It includes pension and food stipend expense.
Repair and maintenance expense		21,849	2.The amount of individual item included
Utilities		44,314	in "others" does not exceed 5% of the
Depreciation		89,493	account balance.
Indirect material		39,349	
Outsourced Manufacturing		17,258	
Others	Note 2	40,042	
Total		<u>\$287,585</u>	

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

RiTdisplay Corporation

23. Statement of Selling Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$9,233	1.It includes pension and food stipend expense. 2.The amount of individual item included in "others" does not exceed 5% of the account balance.
Shipping expenses		6,704	
Royalties		11,988	
Depreciation		222	
Others	Note 2	<u>8,500</u>	
Total		<u><u>\$36,647</u></u>	

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

RiTdisplay Corporation

24. Statement of General and Administrative Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$60,891	1.It includes pension and food stipend expense.
Taxes		5,142	2.The amount of individual item included
Depreciation		413	in "others" does not exceed 5% of the
Professional service fees		11,163	account balance.
Others	Note 2	<u>18,420</u>	
Total		<u><u>\$96,029</u></u>	



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

RiTdisplay Corporation

25. Statement of Research and Development Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries	Note 1	\$37,766	1.It includes pension and food stipend expense.
Utilities		7,544	2.The amount of individual item included
Depreciation		4,262	in "others" does not exceed 5% of the
Amortizations		19,118	account balance.
Materials Utilized for Testing		4,718	
Others	Note 2	<u>15,524</u>	
Total		<u><u>\$88,932</u></u>	

RiTdisplay Corporation

26. Statement of Non-Operating Incomes and Expenses

For the Year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other incomes			
	Interest income	\$1,756	
	Rental income	79,885	
	Dividend income	3,046	
	Other income—others	21,350	
	Total	<u>\$106,037</u>	
Other gains and losses			
	Gain on disposal of property, plant and equipment	\$2,533	
	Gains on disposal of investments	16,877	
	Foreign exchange losses, net	(6,675)	
	Other losses	(11,796)	
	Gain of financial assets at fair value through profit or loss	2,526	
	Evaluate the benefits		
	Total	<u>\$3,465</u>	
Finance costs			
	Interest on borrowings from bank loans, bond payables, and imputed interest on deposit	<u>\$(17,421)</u>	
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method			
	Investment profits	<u>\$21,707</u>	