

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

**Ticker:8104**

**RITDISPLAY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AS OF DECEMBER 31, 2022 AND 2021  
AND FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

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*The reader is advised that these consolidated 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.*

**Consolidated Financial Statements  
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## **MANAGEMENT REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of RiTdisplay Corporation as of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Ritdisplay Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

RiTDisplay Corporation

By

Yeh, Chwei-Jing

Chairman

March 13, 2023

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**INDEPENDENT AUDITORS' REPORT**

To: the Board of Directors and Shareholders of  
RiTdisplay Corporation

**Opinion**

We have audited the accompanying consolidated balance sheets of RiTdisplay Corporation (the “Company”) and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred as “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor, 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Group's revenue amounting to NT\$2,713,550 thousand for the year ended December 31, 2022 is a significant account to the Group's financial statements. The major revenues were from manufacturing and sales of OLED. The Group 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 consolidated financial statements.

### Market valuation on Inventory

We determined the market valuation on inventory is also one of the key audit matters. The Group's net inventory amounting to NT\$701,035 thousand as of December 31, 2022, which is significant to the Group's financial statements. The application market of the Group'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 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 Group'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 consolidated 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 Group. 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 3.63% of the Group'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 2.56% of the Group'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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 Group.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Others

We have also audited the parent-company-only financial statements of RiTdisplay Corporation as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matter paragraph.

Chen, Kuo-Shuai

Chang, Chih-Ming

Ernst & Young, Taiwan, R.O.C

March 13, 2023

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.*

*Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of 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 Consolidated Financial Statements Originally Issued in Chinese

RiTdisplay Corporation and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and December 31, 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2022.12.31		2021.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$553,811	10	\$687,780	17
1110	Financial assets at fair value through profit or loss	4, 6(2)	89,142	2	116,307	3
1120	Financial assets at fair value through other comprehensive income	4, 6(3)	49,574	1	54,074	2
1136	Financial assets measured at amortized cost	4, 6(4), 8	55,005	1	28,581	1
1170	Accounts receivable, net	4, 6(5), 6(24)	747,006	14	294,230	8
1180	Accounts receivable-related parties, net	4, 6(5), 6(24), 7	20,079	-	170,904	4
1199	Financing lease payments receivable-related parties, net	4, 6(6), 6(24), 7	2,497	-	2,458	-
1200	Other receivables		36,439	1	11,450	-
1210	Other receivables-related parties	7	2,486	-	101	-
1220	Current tax assets	4, 6(29)	-	-	10	-
130x	Inventories, net	4, 6(7)	701,035	13	127,919	3
1410	Prepayments	7	152,225	3	159,907	4
1460	Non-current assets to be sold (or disposition group), net	4, 6(8)	35,665	1	-	-
1470	Other current assets	7	8,586	-	879	-
11xx	Total current assets		<u>2,453,550</u>	<u>46</u>	<u>1,654,600</u>	<u>42</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	8,699	-	33,721	1
1550	Investments accounted for under equity method	4, 6(9)	-	-	172,059	4
1600	Property, plant and equipment, net	4, 6(10), 7, 8	2,210,178	42	1,485,580	37
1755	Right-of-use assets	4, 6(25)	43,488	1	-	-
1760	Investment property, net	4, 6(11), 8	243,844	5	234,730	6
1780	Intangible assets, net	4, 6(12), 6(14)	99,695	2	8,939	-
1840	Deferred tax assets	4, 6(29)	206,846	4	228,130	6
1900	Other non-current assets	4, 6(13), 7	15,949	-	140,800	4
194K	Long-term financing lease payments receivable-related parties, net	4, 6(6), 6(24), 7	9,061	-	11,559	-
15xx	Total non-current assets		<u>2,837,760</u>	<u>54</u>	<u>2,315,687</u>	<u>58</u>
1xxx	Total Assets		<u>\$5,291,310</u>	<u>100</u>	<u>\$3,970,287</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
RiTdisplay Corporation and Subsidiaries  
Consolidated Balance Sheets (Continued)  
As of December 31, 2022 and December 31, 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2022.12.31		2021.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	<b>Current liabilities</b>					
2100	Short-term loans	6(15), 8	\$500,000	10	\$531,700	13
2130	Contract liabilities	4, 6(23), 7	33,019	1	20,397	1
2170	Accounts payable		485,645	9	283,747	7
2180	Accounts payable-related parties	7	159,211	3	168,384	4
2200	Other payables		144,489	3	113,221	3
2220	Other payables-related parties	7	16,111	-	12,145	1
2230	Current income tax liabilities	4, 6(29)	7,954	-	5,074	-
2300	Other current liabilities	7	16,027	-	8,002	-
2321	Current portion or enforce to sell of bonds payable	4, 6(17)	6,127	-	-	-
2320	Current portion of long-term loans	6(18), 8	220,487	4	239,245	6
21xx	Total current liabilities		<u>1,589,070</u>	<u>30</u>	<u>1,381,915</u>	<u>35</u>
	<b>Non-current liabilities</b>					
2500	Financial liabilities at fair value through profit or loss	4, 6(16)	15,229	-	-	-
2530	Bonds payable	4, 6(17)	535,203	10	54,293	1
2540	Long-term loans	6(18), 8	713,156	14	188,832	5
2550	Non-current provision	4, 6(20)	7,194	-	-	-
2570	Deferred tax liabilities	4, 6(29)	175	-	-	-
2670	Other non-current liabilities	4, 6(19)	32,999	1	54,269	1
25xx	Total non-current liabilities		<u>1,303,956</u>	<u>25</u>	<u>297,394</u>	<u>7</u>
2xxx	Total liabilities		<u>2,893,026</u>	<u>55</u>	<u>1,679,309</u>	<u>42</u>
31xx	<b>Equity attributable to shareholders of parent</b>					
3100	<b>Capital</b>					
3110	Common stock		746,517	14	680,090	17
3130	Bond conversion entitlement certificates		-	-	57,892	1
3200	Capital surplus	6(21)	859,145	16	790,422	20
3300	<b>Retained earnings</b>					
3310	Legal reserve	6(21)	161,489	3	142,092	4
3320	Special reserve		5,950	-	5,706	-
3350	Unappropriated retained earnings		483,046	9	621,284	16
3400	Other components of equity		(5,371)	-	(5,950)	-
3500	Treasury stock	4, 6(21)	(51,486)	(1)	(51,486)	(1)
3600	Non-controlling interests	6(21), 6(31)	198,994	4	50,928	1
3xxx	Total equity		<u>2,398,284</u>	<u>45</u>	<u>2,290,978</u>	<u>58</u>
3x2x	Total liabilities and equity		<u>\$5,291,310</u>	<u>100</u>	<u>\$3,970,287</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KiDisplay Corporation and Subsidiaries

Consolidated Statements Of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

Code	Accounts	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(23), 7	\$2,713,550	100	\$2,225,875	100
5000	Operating costs	6, 7	(2,291,827)	(84)	(1,805,770)	(81)
5900	Gross profit		421,723	16	420,105	19
6000	Operating expenses	6, 7				
6100	Selling		(50,114)	(2)	(44,688)	(2)
6200	General and administrative		(152,220)	(6)	(107,656)	(5)
6300	Research and development		(124,723)	(5)	(112,989)	(5)
6450	Expected credit losses	4, 6(24)	(3,226)	-	(5,721)	-
	Operating expenses total		(330,283)	(13)	(271,054)	(12)
6900	Operating income		91,440	3	149,051	7
7000	Non-operating income and expenses					
7100	Interest income	6(27), 7	5,552	-	2,250	-
7010	Other income	6(27), 7	115,715	4	109,528	5
7020	Other gains and losses	6(27)	(62,691)	(2)	462	-
7050	Finance costs	6(27), 7	(39,542)	(1)	(18,087)	(1)
7055	Expected credit losses	4, 6(24)	(4,166)	-	-	-
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	4, 6(9)	13,704	-	7,135	-
	Non-operating income and expenses total		28,572	1	101,288	4
7900	Income before income tax		120,012	4	250,339	11
7950	Income tax expense	4, 6(29)	(70,687)	(2)	(56,661)	(2)
8200	Net income		49,325	2	193,678	9
8300	Other comprehensive income (loss)	6(28)				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans		12,798	-	2,826	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(1,659)	-	(1,175)	-
8326	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method		(4)	-	4	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation		(1,380)	-	-	-
8370	Share of the other comprehensive income (loss) of associates and joint ventures accounted for using equity method		85	-	(89)	-
	Total other comprehensive income, net of tax		9,840	-	1,566	-
8500	Total comprehensive income (loss)		\$59,165	2	\$195,244	9
8600	Net income attributable to:					
8610	Stockholders of parent		\$29,939	1	\$192,160	9
8615	Former owner of business combination under common control		-	-	265	-
8620	Non-controlling interests		19,406	1	1,253	-
			\$49,325	2	\$193,678	9
8700	The total comprehensive income (loss) attributable to					
8710	Stockholders of parent		\$40,400	1	\$193,726	9
8715	Former owner of business combination under common control		-	-	265	-
8720	Non-controlling interests		18,765	1	1,253	-
			\$59,165	2	\$195,244	9
	Earnings per share (NTD)	6(30)				
9750	Earnings per share - basic (in NTD)		\$0.41		\$2.86	
9850	Earnings per share - diluted (in NTD)		\$0.41		\$2.69	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

RTDisplay Corporation and Subsidiaries

Consolidated Statements of Change in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Equity attributable to owners of the parent									Equity attributable to former owner of business combination under common control	Equity attributable to non-controlling interest before business combination under	Non-controlling interest	Total Equity	
		Capital	Bond conversion entitlement certificates	Capital Surplus	Retained Earnings			Other Components of equity		Treasury stock					Total
					Legal Reserve	Special Reserve	Unappropriated Retained	Exchange differences arising on translation	Unrealized gains or losses on financial assets at fair						
3100	3130	3200	3310	3320	3350	3410	3420	3500	31XX	35XX	355X	36XX	3XXX		
A1	Balance as of January 1, 2021	\$676,301	\$19	\$570,011	\$122,116	\$2,853	\$650,819	\$(614)	\$(5,092)	\$(51,486)	\$1,964,927	\$-	\$-	\$29,063	\$1,993,990
A4	Retrospective adjustment of previous equity under common control	-	-	-	-	-	-	-	-	-	-	(5,031)	(2,156)	-	(7,187)
A5	Balance as of January 1, 2021	676,301	19	570,011	122,116	2,853	650,819	(614)	(5,092)	(51,486)	1,964,927	(5,031)	(2,156)	29,063	1,986,801
	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)				(200,676)
D1	Net income for 2021						192,160				192,160	265	113	1,140	193,678
D1	Other comprehensive income (loss) for 2021						2,826	(89)	(1,171)		1,566				1,465
D5	Total comprehensive income (loss)						194,986	(89)	(1,171)		193,726	265	113	1,140	195,244
H3	Reorganization											(3,436)	(2,337)	3,773	-
I1	Conversion of convertible bonds		61,662	222,067							283,729				283,729
I3	Conversion of certificates of bonds-to-share	3,789	(3,789)												
M7	Changes in subsidiaries ownership			(1,656)							(1,656)			14,952	13,296
Q1	Disposal of investments in equity instruments measured at fair value through other comprehensive income						(1,016)		1,016						
T1	Other											8,202	4,380		12,582
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	\$-	\$-	\$30,928	\$2,290,976
A1	Balance as of January 1, 2022	\$680,090	\$57,892	\$790,422	\$142,092	\$5,706	\$621,284	\$(703)	\$(5,247)	\$(51,486)	\$2,240,050	\$-	\$-	\$30,928	\$2,290,976
	Appropriation and distribution of 2021 earnings:														
B1	Legal reserve				19,397		(19,397)								
B3	Special reserve					244	(244)								
B5	Cash dividends - common shares						(147,695)				(147,695)				(147,695)
C5	Due to recognition of equity component of convertible bonds issued			39,923							39,923				39,923
D1	Net income for 2022						29,919				29,919			19,406	49,325
D3	Other comprehensive income (loss) for 2022						12,798	(654)	(1,663)		10,481			(641)	9,840
D5	Total comprehensive income (loss)						42,717	(654)	(1,663)		40,400			18,765	59,165
I1	Conversion of convertible bonds		8,535	30,308							39,043				39,043
I3	Conversion of certificates of bonds-to-share	66,427	(66,427)												
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed			(10,378)			(10,723)				(21,101)			(81,439)	(102,540)
M7	Changes in subsidiaries ownership			9,065							9,065			15,667	24,732
Q1	Changes in non-controlling interests													195,073	195,073
Q1	Disposal of investments in equity instruments measured at fair value through other comprehensive income						(2,896)		2,896						
T1	Other - early repurchase convertible bonds			(395)							(395)				(395)
Z1	Balance as of December 31, 2022	\$746,517	\$-	\$859,145	\$161,489	\$5,950	\$483,046	\$(1,357)	\$(4,014)	\$(51,486)	\$2,199,290	\$-	\$-	\$198,994	\$2,398,284

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



Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities			BBBB	Cash flows from investing activities:		
A00010	Net income before tax	\$120,012	\$250,339	B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(46,059)
A20000	Adjustments:			B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	2,841	3,324
A20010	Profit or loss not effecting cash flows:			B00040	Acquisition of financial assets measured at amortised cost	-	(32,146)
A20100	Depreciation expenses and other losses	136,189	110,612	B00050	Proceeds from disposal of financial assets measured at amortised cost	66,603	-
A20200	Amortization	9,104	19,458	B01800	Acquisition of equity-method investments	-	(99,994)
A20300	Expected credit losses	7,392	5,721	B02200	Net cash flow from acquisition of subsidiaries	(82,924)	-
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	42,656	(2,526)	B02700	Acquisition of property, plant and equipment	(697,613)	(140,609)
A20900	Interest expense	39,542	18,087	B02800	Proceeds from disposal of property, plant and equipment	2,110	-
A21000	Net loss arising from derecognition of financial liabilities measured at amortised cost	188	-	B03700	Increase in refundable deposits	1,935	(34)
A21200	Interest income	(5,552)	(2,250)	B04500	Acquisition of intangible assets	(583)	-
A21300	Dividend income	(4,984)	(3,046)	B06000	Decrease in financing lease payments receivable-related parties	2,459	2,417
A22300	Share of profit or loss of associates and joint ventures	(13,704)	(7,135)	BBBB	Net cash provided by (used in) investing activities	(705,172)	(313,101)
A22500	Loss (gain) on disposal of property, plant and equipment	5,233	(2,533)				
A22800	Loss on disposal of intangible assets	67	-	CCCC	Cash flows from financing activities:		
A23100	Gain on disposal of investments	(4,822)	(16,877)	C00200	(Repayments of) increase in short-term loans	(256,301)	389,547
A23700	Impairment loss on non-financial assets	6,541	-	C01200	Proceeds from issuing bonds	595,000	-
A29900	Other adjustments - Gain on lease modification	(3)	-	C01300	Repayments of bonds	(35,154)	-
A30000	Changes in operating assets and liabilities:			C01600	Proceeds from long-term loans	1,025,000	100,159
A31115	Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	591	(12,698)	C01700	Repayments of long-term loans	(525,486)	(248,197)
A31150	Decrease (increase) in accounts receivable	(244,654)	(17,667)	C04020	Payments of lease liabilities	(946)	-
A31160	Decrease (increase) in accounts receivable-related parties	150,825	(169,353)	C04300	Increase in other non-current liabilities	(7,762)	3,479
A31180	Decrease (increase) in other receivable	(25,155)	(1,749)	C04500	Cash dividends paid	(159,891)	(200,676)
A31190	Decrease (increase) in other receivable-related parties	(2,385)	91	C05800	Changes in non-controlling interests	(77,808)	25,878
A31200	Decrease (increase) in inventories	(274,672)	(50,800)	CCCC	Net cash provide by (used in) financing activities	556,652	70,190
A31230	Decrease (increase) in prepayments	18,899	(86,827)				
A31240	Adjustments for decrease (increase) in other current assets	(3,198)	(465)	DDDD	Effect of exchange rate changes on cash and cash equivalents	554	-
A31990	Adjustments for decrease (increase) in other non-current assets	2,776	-				
A32125	Increase (decrease) in contract liabilities	10,424	(38,740)	EEEE	Net increase (decrease) in cash and cash equivalents	(133,959)	(232,223)
A32150	Increase (decrease) in accounts payable	59,989	24,064	E00100	Cash and cash equivalents at beginning of period	687,780	920,003
A32160	Increase (decrease) in accounts payable-related parties	(9,173)	(323)	E00200	Cash and cash equivalents at end of period	\$553,811	\$687,780
A32180	Increase (decrease) in other payable	8,774	(10,490)				
A32190	Increase (decrease) in other payable-related parties	3,966	6,870				
A32230	Adjustments for increase (decrease) in other current liabilities	(926)	6,557				
A32240	Decrease in net defined benefit liability	(710)	(729)				
A32990	Increase (decrease) in refundable liability	6,698	-				
A33000	Cash generated from operations	39,928	17,591				
A33100	Interest received	5,552	2,250				
A33200	Dividend received	4,984	3,046				
A33300	Interest paid	(28,414)	(10,987)				
A33500	Income tax paid	(8,053)	(1,212)				
AAAA	Net cash provided by used in operating activities	13,997	10,688				

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

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RiTdisplay Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(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 Group’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 consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on March 13, 2023.

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 Group 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, 2022. The adoption of these new standards and amendments had no material impact on the Group.

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

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

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

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

The amendments introduce the definition of accounting estimates and include 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.

(c) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The Group assesses all standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group 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, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non – current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

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

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

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

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

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

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

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.



(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (A) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (B) Exposure, or rights, to variable returns from its involvement with the investee, and
- (C) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (A) The contractual arrangement with the other vote holders of the investee
- (B) Rights arising from other contractual arrangements
- (C) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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RiTdisplay Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

If the Company loses control of a subsidiary, it:

- (A) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (B) Derecognizes the carrying amount of any non-controlling interest;
- (C) Recognizes the fair value of the consideration received;
- (D) Recognizes the fair value of any investment retained;
- (E) Recognizes any surplus or deficit in profit or loss; and
- (F) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%)		Note
			2022	2021	
The Company	Newrit Asset Co., Ltd.	Leasing business	96.33%	64.94%	Note 1
The Company	Cashido Corporation	Manufacturing and sales of micro bubble systems	-%	78.66%	Note 2 Note 3
The Company	Ritwin Corporation	Electronic components manufacturing industry	89.53%	94.12%	Note 4 Note 5 Note 6
The Company	Welltech Energy Inc.	Manufacturing and sales of battery, electronic components	66.23%	20.89%	Note 7 Note 8 Note 9 Note 10
Welltech Energy Inc.	Newrit Asset Co., Ltd.	Leasing business	1.83%	-%	Note 9
Welltech Energy Inc.	Saintop Group Co., Ltd.	Investment activities	100%	-%	Note 9

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RiTdisplay Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Investor	Subsidiary	Main business	Percentage of Ownership (%)		Note
			2022	2021	
Welltech Energy Inc.	Formosa Fortune Holding Limited	Investment activities	100%	-%	Note 9
Welltech Energy Inc.	Changzhou Shangyang Photoelectricity Co., Ltd.	Designing and assembling of lithium battery, manufacturing and selling of battery module- component	18.19%	-%	Note 9
Saintop Group Co., Ltd.	Hi-Tech Eenergy Limited	Investment activities	100%	-%	Note 9
Hi-Tech Eenergy Limited	Techcharm Electronics (Shanghai) Co., Ltd.	Investment activities	100%	-%	Note 9
Techcharm Electronics (Shanghai) Co., Ltd.	Changzhou Shangyang Photoelectricity Co., Ltd.	Designing and assembling of lithium battery, manufacturing and selling of battery module- component	45.43%	-%	Note 9
Formosa Fortune Holding Limited	Global Resources Channel Co., Ltd	Investment activities	100%	-%	Note 9
Global Resources Channel Co., Ltd	Changzhou Shangyang Photoelectricity Co., Ltd.	Designing and assembling of lithium battery, manufacturing and selling of battery module- component	36.38%	-%	Note 9

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RiTdisplay Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Investor	Subsidiary	Main business	Percentage of Ownership (%)		Note
			2022	2021	
Ritwin Corporation	Cashido Corporation	Manufacturing and sales of micro bubble systems	100%	-	Note 6

Note 1: In May 2021 and January 2022, Newrit Asset Co., Ltd., a subsidiary of the Company, decided to issue new shares. The Company only participated in the cash capital increase of Newrit Asset Co., Ltd. in January 2022. The ownership interest was 96.33% and 64.94% as of December 31 2022 and 2021, respectively.

Note 2: The Company reinvested Cashido Corporation NT\$8,775 thousand for 726 thousand shares between August to October, 2022. The ownership interest increased from 78.66% to 91.85%.

Note 3: To improve the synergy of the Group, Ritwin Corporation, a subsidiary of the Company, conducted share conversion and issued new shares according to “The Enterprise Mergers and Acquisitions Law” to obtain 100% shares of Cashido Corporation. As a result, the Company’s ownership interest to Cashido Corporation was decreased from 91.85% to 0%.

Note 4: Because of the intra-group reorganization, the Company participated in the capital increase of Ritwin Corporation in July 2021 and obtained 9,412 thousand shares with an ownership interest of 94.12%, which was reorganization under common control. In compliance with the “Comment on IFRS” and Interpretation 100-301 issued by the Accounting Research and Development Foundation, the Company restated the comparative period’s consolidated financial statement as if the entity had always been consolidated since the beginning.

Note 5: On July 22, 2022, Ritwin Corporation, a subsidiary of the Company, conducted the cash capital increase. The Company didn’t attend the cash capital increase, and the ownership interest was decreased from 94.12% to 89.14%.



- Note 6: On July 5, 2023, Ritwin Corporation, a subsidiary of the Company, decided to conduct share conversion and issue new shares to obtain all shares of Cashido Corporation according to “The Enterprise Mergers and Acquisitions Law”. The share exchange was conducted at an exchange ratio of 1 ordinary share for 0.4029 ordinary share of Ritwin Corporation. Ritwin Corporation issued 2,216 thousand shares and exchanged 5,500 thousand shares of Cashido Corporation. The basis date of share conversion and process from new issue was on October 12, 2022. Due to the aforementioned, the ownership of the Company to Ritwin Corporation was increased from 89.14% to 89.53%, in the meanwhile, the ownership of Ritwin Corporation to Cashido Corporation was increased from 0% to 100%.
- Note 7: In March 2021, the Company reinvested Welltech Energy Inc. with NT\$99,994 thousand, obtained 8,104 thousand shares in total and the ownership interest was increased from 5.86% to 21.39%. The recognized method of the investment to Welltech Energy Inc. has been changed from at fair value through profit or loss into investment recognized under equity method, in the meanwhile, the Company was recognized gain on disposal of investments NT\$7,777 thousand.
- Note 8: The ownership interest of the Company decreased to 20.89%, because Welltech Energy Inc., a subsidiary of the Company, executed employee stock option on March 31, 2021.
- Note 9: On March 28, 2022, the Company reinvested the Welltech Energy Inc. NT\$62,465 thousand for 4,164 thousand shares, and the ownership interest was increased from 20.89% to 31.63%. On April 1, 2022, the Company obtained 7,172 thousand shares with NT\$107,580 thousand, and the ownership interest was increased from 31.63% to 50.12%. Because of the aforementioned, the Company was indirectly holding the subsidiaries and the second-tier subsidiaries of Welltech Energy Inc. as well as acquiring more than half of board seats. As a result, the Company obtained the control of the Welltech Energy Inc. and regarded it as a consolidated entity since April 1, 2022.
- Note 10: In September 2022, the Company obtained 2,356 thousand shares of the Welltech Energy Inc. with NT\$35,335 thousand, and the ownership interest was increased from 50.12% to 56.19%; In December 2022, the Company reinvested the Welltech Energy Inc. 3,895 thousand shares with NT\$58,430 thousand, and the ownership was increased from 56.19% to 66.23%.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective 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.
- (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.

(5) Current and non-current distinction

An asset is classified as current when:

- (A) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (B) The Group holds the asset primarily for the purpose of trading.
- (C) The Group 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 Group expects to settle the liability in its normal operating cycle.
- (B) The Group 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 Group 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.

(6) 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).

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 Group accounts for regular way purchase or sales of financial assets on the trade date.

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

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 Group 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 Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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 Group 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 Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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 Group 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 Group 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.

The Group 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 measures as follow:

- (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 Group 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 Group 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 Group measures the loss allowance at amount equal to lifetime expected credit losses.

At each reporting date, the Group 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.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group 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 Group 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 Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group 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.

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

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

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

### Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

#### 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.

#### (8) 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 Group.

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 Group 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.

#### (9) 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.

#### (10) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(11) Investments accounted for using the equity method

The Group'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 Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have right to the net assets of the joint venture.

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 Group'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 Group 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 Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

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

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group 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 Group disposes the associate or joint venture.

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

The Group 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 Group 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 Group estimates:

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

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

Upon loss of significant influence over the associate or joint venture, the Group 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.

(12) 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 Group 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	2~21 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.

(13) Investment property

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

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

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

The Group 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.



(14) Leases

The Group 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 Group 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 Group 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 Group 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 Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

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

At the commencement date, the Group 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 Group 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 Group 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 Group 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 Group 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 Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group 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 Group 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 Group accounted for as short-term leases or leases of low-value assets, the Group 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 Group 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.

#### Group as a lessor

At inception of a contract, the Group 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 Group 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 Group allocates the consideration in the contract applying IFRS 15.

The Group 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.

(15) 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 and Trademark rights

Patent and trademark rights are the authorized right from acquiring or purchasing.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 10 years).

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

	Patents	Trademark rights	Computer software
Useful economic life	5~20 years	7~10 years	2~20 years
Amortization method	Straight-line method during the contract term	Straight-line method during the contract term	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally	Acquired externally	Acquired externally

#### (16) Impairment of non-financial assets

The Group 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 Group 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 Group 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.

#### (17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### (18) 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.

(19) Revenue recognition

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

Sale of goods

The Group 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 Group is OLED and revenue is recognized based on the consideration stated in the contract. The Group 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 Group's sale of goods is from T/T to 30~90 days. For most of the contracts, when the Group 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 Group 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 Group 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 Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(20) 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.

(21) 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 Group 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.

(22) 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 Group's consolidated financial statements.

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



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 Group 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.

#### (23) Share-based payment transactions

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

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

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

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

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

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

#### (24) 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.

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 Group 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.

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.

#### (25) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Investment properties

Certain properties of the Group 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 Group accounts for the portions separately as investment properties and property, plant and equipment.

B. Operating lease commitment-Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group 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.

A. Accounts receivables-estimation of impairment loss

The Group 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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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, 2022.

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**6. CONTENTS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	As of December 31,	
	2022	2021
Cash on hand	\$913	\$1,606
Demand/Checking deposits	322,127	495,174
Time deposits	230,771	141,000
Investments in bonds with resale agreements	-	50,000
<b>Total</b>	<b>\$553,811</b>	<b>\$687,780</b>

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

	As of December 31,	
	2022	2021
Measured at fair value through profit or loss:		
Listed companies stocks	\$120,343	\$116,947
Valuation adjustment	(31,201)	(640)
Subtotal	89,142	116,307
Embedded derivatives-Non-current	-	169
<b>Total</b>	<b>\$89,142</b>	<b>\$116,476</b>
Current	\$89,142	\$116,307
Non-current	-	169
<b>Total</b>	<b>\$89,142</b>	<b>\$116,476</b>

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



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

	As of December 31,	
	2022	2021
Equity instruments investments measured at fair value through other comprehensive income-Current:		
Unlisted company stocks	\$53,588	\$59,325
Valuation adjustment	(4,014)	(5,251)
<b>Total</b>	<b>\$49,574</b>	<b>\$54,074</b>
Current	\$49,574	\$54,074
Non-current	-	-
<b>Total</b>	<b>\$49,574</b>	<b>\$54,074</b>

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

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follow:

	For the year ended December 31,	
	2022	2021
Related to investments held at the end of the reporting period	\$-	\$363
Related to investments derecognized during the period	-	47
<b>Dividends recognized during the period</b>	<b>\$-</b>	<b>\$410</b>

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In consideration of the Group's investment strategy, the Group 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, 2022 and 2021 are as follow:

	For the year ended December 31,	
	2022	2021
The fair value of the investments at the date of derecognition	\$2,841	\$3,324
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	\$(2,896)	\$(1,016)

(4) Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Restricted demand deposits	\$8,526	\$8,057
Time deposits over 3 months	42,532	28,581
Restricted time deposits	12,646	25,664
<b>Total</b>	<b>\$63,704</b>	<b>\$62,302</b>
Current	\$55,005	\$28,581
Non-current	8,699	33,721
<b>Total</b>	<b>\$63,704</b>	<b>\$62,302</b>

Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

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(5) Accounts receivable and accounts receivable-related parties

	As of December 31,	
	2022	2021
Accounts receivable	\$761,141	\$305,490
Less: loss allowance	(14,135)	(11,260)
Subtotal	747,006	294,230
Accounts receivable-related parties	20,079	170,904
Less: loss allowance	-	-
Subtotal	20,079	170,904
Total	\$767,085	\$465,134

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2022 and 2021 are NT\$781,220 thousand and NT\$476,394 thousand, respectively. Please refer to Note 6(24) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

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(6) Financing lease payments receivable-related parties, net

In December 31, 2022 and 2021, the Group leased machinery and equipment through financial leasing, the adjustments are listed below:

	As of December 31,			
	2022		2021	
	Total investment in leases	Present value of receivables on minimum lease payments	Total investment in leases	Present value of receivable on minimum lease payments
Less than one year	\$2,664	\$2,497	\$2,664	\$2,458
More than one year but less than five years	9,324	9,061	11,988	11,559
More than five years	-	-	-	-
Total	11,988	\$11,558	14,652	\$14,017
Less: Unearned finance income	(430)		(635)	
Present value of receivable on minimum lease payments	<u>\$11,558</u>		<u>\$14,017</u>	
Current	\$2,497		\$2,458	
Non-current	9,061		11,559	
Total	<u>\$11,558</u>		<u>\$14,017</u>	

Financing lease payments receivables-related parties, net were not pledged.

Please refer to Note 6(24) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

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(7) Inventory

	As of December 31,	
	2022	2021
Merchandise inventory	\$25,560	\$95
Finished goods	173,041	20,077
Semi-finished goods and Work in process	71,324	22,615
Raw materials	431,110	85,132
Total	<u>\$701,035</u>	<u>\$127,919</u>

For the years ended December 31, 2022 and 2021, the Group recognized NT\$2,274,955 thousand and NT\$1,801,494 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
	2022	2021
Loss (gain) from inventory market decline	\$(5,726)	\$1,766
Loss from inventory write-off obsolescence	2,715	2,589
Loss (gain) from physical	64	(6)
Total	<u>\$(2,947)</u>	<u>\$4,349</u>

The Group recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

The inventories were not pledged.

(8) Non-current assets to be sold

	As of December 31,	
	2022	2021
Luminit Automotive Technology Corporation	<u>\$35,665</u>	<u>\$-</u>

In October 2022, the Group authorized the chairman of the company to dispose Luminit Automotive Technology Corporation share project. As of December 31, 2022, it was classified as non-current assets to be sold.

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(9) Investments accounted for under equity method

Investee Companies	As of December 31,			
	2022		2021	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:				
Pvnext Corporation	\$3,447	4.31%	\$3,447	4.31%
Luminit Automotive Technology Corporation	-	-%	27,966	31.03%
Welltech Energy Inc.	-	-%	\$144,093	20.89%
Accumulated impairment	(3,447)		(3,447)	
Total	\$-		\$172,059	

Investment in associates were not material to the Group. The associate's summarized financial information presented to the carrying amount of the Group's interest in the associate:

	For the year ended December 31,	
	2022	2021
Profit (loss) in current period	\$13,704	\$7,135
Other comprehensive income (net of tax)	85	(85)
Total comprehensive income	\$13,789	\$7,050

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

In October 2022, the Group authorized the chairman of the company to dispose Luminit Automotive Technology Corporation share project, as a result, it was classified as non-current assets to be sold.

The Group 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 or loss to investments accounted for under the equity method. Gain on disposal of investments of NT\$7,777 thousand was recognized.

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

In March 2022, the Group reinvested the Welltech Energy Inc 4,164 thousand shares with NT\$62,465 thousand and the ownership interest was increased form 20.89% to 31.63%. On April 1, 2022, the Company obtained 7,172 thousand shares with NT\$107,580 thousand and the ownership interest was increased from 31.63% to 50.12%. Because of the aforementioned, the Company was indirectly holding the subsidiaries and the second-tier subsidiaries of Welltech Energy Inc. as well as acquiring more than half of board seats. As a result, the Company obtained the control of the Welltech Energy Inc. and regarded it as a consolidated entity since the day. In the meanwhile, the Group recognized gain on disposal of investments NT\$ 538 thousand.

The associated had no contingent liabilities or capital commitments and were not pledged as collateral as of December 31, 2022 and 2021, respectively.

(10) Property, plant and equipment

A. Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other equipment	Total
Cost:					
As of Jan. 1, 2022	\$471,901	\$2,012,100	\$4,849,209	\$182,893	\$7,516,103
Additions	396,000	338,164	70,601	21,622	826,387
Acquisition through business combinations	-	120,261	143,175	37,056	300,492
Disposals	-	-	(44,135)	(10,310)	(54,445)
Transfers	-	(77,405)	-	-	(77,405)
Exchange differences	-	(2,444)	(2,686)	(425)	(5,555)
As of Dec. 31, 2022	<u>\$867,901</u>	<u>\$2,390,676</u>	<u>\$5,016,164</u>	<u>\$230,836</u>	<u>\$8,505,577</u>
As of Jan. 1, 2021	\$471,901	\$2,052,773	\$4,842,555	\$181,013	\$7,548,242
Additions	-	-	6,654	1,880	8,534
Transfers	-	(40,673)	-	-	(40,673)
As of Dec. 31, 2021	<u>\$471,901</u>	<u>\$2,012,100</u>	<u>\$4,849,209</u>	<u>\$182,893</u>	<u>\$7,516,103</u>

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	Land	Buildings	Machinery and equipment	Other equipment	Total
Depreciation and impairment:					
As of Jan. 1, 2022	\$-	\$1,525,843	\$4,324,458	\$180,222	\$6,030,523
Depreciation	-	32,039	89,278	3,409	124,726
Acquisition through business combinations	-	91,624	119,504	32,907	244,035
Disposals	-	-	(37,707)	(9,395)	(47,102)
Impairment	-	-	6,541	-	6,541
Transfers	-	(58,781)	-	-	(58,781)
Exchange differences	-	(1,872)	(2,260)	(411)	(4,543)
As of Dec. 31, 2022	\$-	\$1,588,853	\$4,499,814	\$206,732	\$6,295,399
As of Jan. 1, 2021	\$-	\$1,537,492	\$4,243,902	\$177,919	\$5,959,313
Depreciation	-	18,736	80,556	2,303	101,595
Transfers	-	(30,385)	-	-	(30,385)
As of Dec. 31, 2021	\$-	\$1,525,843	\$4,324,458	\$180,222	\$6,030,523
Net carrying amount:					
As of Dec. 31, 2022	\$867,901	\$801,823	\$516,350	\$24,104	\$2,210,178
As of Dec. 31, 2021	\$471,901	\$486,257	\$524,751	\$2,671	\$1,485,580

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.



## (11) Investment property

	<u>Buildings</u>
Cost:	
As of January 1, 2022	\$963,597
Transfers from property, plant and equipment	77,405
As of December 31, 2022	<u>\$1,041,002</u>
As of January 1, 2021	\$922,924
Transfers from property, plant and equipment	40,673
As of December 31, 2021	<u>\$963,597</u>
Depreciation and impairment:	
As of January 1, 2022	\$728,867
Depreciation	9,510
Transfers from property, plant and equipment	58,781
As of December 31, 2022	<u>\$797,158</u>
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>
Net carrying amount:	
As of December 31, 2022	<u>\$243,844</u>
As of December 31, 2021	<u>\$234,730</u>

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$78,062	\$67,605
Less: Direct operating expenses from investment property generating rental income	(9,510)	(9,017)
Total	<u>\$68,552</u>	<u>\$58,588</u>

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

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Investment property held by the Group 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 values of investment properties were both NT\$279,484 thousand as of December 31, 2022 and 2021, 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.

## (12) Intangible assets

	Trademark				Total
	Patents	rights	Goodwill	Computer	
Cost:					
As of Jan. 1, 2022	\$501,091	\$835	\$-	\$-	\$501,926
Addition-acquired alone	-	-	-	583	583
Acquisition through business combinations	-	-	97,590	9,395	106,985
Disposal	(500,000)	-	-	(340)	(500,340)
Exchange differences	-	-	-	(92)	(92)
As of Dec. 31, 2022	\$1,091	\$835	\$97,590	\$9,546	\$109,062
Jan. 1, ~ Dec. 31, 2021	\$501,091	\$835	\$-	\$-	\$501,926
Amortization and Impairment:					
As of Jan. 1, 2022	\$492,493	\$494	\$-	\$-	\$492,987
Amortization	8,118	89	-	897	9,104
Acquisition through business combination	-	-	-	7,635	7,635
Disposal	(500,000)	-	-	(273)	(500,273)
Exchange differences	-	-	-	(86)	(86)
As of Dec. 31, 2022	\$611	\$583	\$-	\$8,173	\$9,367

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	Trademark				Total
	Patents	rights	Goodwill	Computer	
As of Jan. 1, 2021	\$473,209	\$320	\$-	\$-	\$473,529
Amortization	19,284	174	-	-	19,458
As of Dec. 31, 2021	\$492,493	\$494	\$-	\$-	\$492,987
Net carrying amount:					
As of Dec. 31, 2022	\$480	\$252	\$97,590	\$1,373	\$99,695
As of Dec. 31, 2021	\$8,598	\$341	\$-	\$-	\$8,939

Amounts of amortization recognized for intangible assets are as follow:

	For the year ended December 31,	
	2022	2021
Operating costs	\$162	\$-
Operating expenses	8,942	19,458
Total	\$9,104	\$19,458

(13) Other non-current assets

	As of December 31,	
	2022	2021
Prepayment in equipment	\$13,829	\$18,545
Prepayment in land	-	121,200
Refundable deposits	2,120	1,055
Total	\$15,949	\$140,800

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(14) Impairment testing goodwill

Goodwill acquired through business combination has been allocated to cash-generating unit, for impairment testing as follows:

	As of December 31,	
	2022	2021
Subsidiary-Welltech Energy Inc.	\$97,590	\$-

(a) On December 31, 2022, the recoverable amount of cash generating units of the Welltech Energy Inc. was NT\$694,991 thousand. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for product. The pre-tax discount rate applied to cash flow projections is 12.33% and cash flows beyond the five-year period are extrapolated using 10%~15% growth rate. As a result of the updated analysis, management did not identify an impairment for goodwill of NT\$97,590 thousand which is allocated to this cash-generating unit.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for both electronics and fire prevention equipment units are most sensitive to the following assumption:

- (1) Gross margin
- (2) Discount rates
- (3) Growth rate used to extrapolated revenue beyond the budget period.

Gross margins—Gross margins are estimated based on the value achieved in prior year and referencing the future market trends.

Discount rate—Discount rate reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group’s investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Group has obligation to settle.

Growth rate estimates of revenue—Rates is estimated based on past experience, the long-term average growth rate has been adjusted based on the economic environment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of Welltech Energy Inc., management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(15) Short-term loans

	As of December 31,	
	2022	2021
Bank loans	\$500,000	\$531,700
Interest rate range (%)	0.90%~4.86%	0.90%~2.45%

As of December 31, 2022 and 2021, the lines of unused short-term loans credit for the Group amounted to NT\$970,000 thousand and NT\$280,800 thousand, respectively.

Assets were not pledged for the short-term loans.

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

	As of December 31,	
	2022	2021
Financial liabilities at fair value through profit or loss		
Embedded derivatives-Non-current	\$15,229	\$-

The Group's embedded derivatives (issuer redeemable and holder sellable options) related to bonds payable which amounted to NT\$(15,229) thousand and NT\$169 thousand and were recognized as non-current financial liabilities at fair value through profit or loss and non-current financial assets at fair value through profit or loss as of December 31, 2022 and 2021, respectively.

(17) Bonds payable

A. Details of bonds payable:

	As of December 31,	
	2022	2021
Liability component:		
Principal amount	\$578,700	\$56,200
Discounts on bonds payable	(37,370)	(1,907)
Subtotal	541,330	54,293
Less: current portion	(6,127)	-
Net	\$535,203	\$54,293
Embedded derivative financial instruments	\$(15,229)	\$169
Equity component-conversion rights	\$38,392	\$2,709

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 (27).

B. On June 4, 2020, the Company's board of directors' meetings resolved to issue first unsecured convertible bonds. The application had been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1090347186. The terms of the bonds were 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 would 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 would be subject to adjustments upon the occurrence of certain events set out in the indenture.

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 had 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 had been adjusted from NT\$50.40 to NT\$47.45 since September 20, 2021.

Due to the distribution of cash dividends on ordinary shares in 2022, 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 had been adjusted from NT\$47.45 to NT\$45.04 since July 26, 2022.

iii. Redemption on the maturity date:

The Company would 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.

(i) Put option of the holder

The bondholders could 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.

C. On November 9, 2021, the Company's board of directors' meetings resolved to issued second unsecured convertible bonds. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1100376203. The terms of the bonds are as follows:

(a) Issue date: January 11, 2022

(b) Issue amount: NT\$600,000

(c) Issue price: Issued at par value

(d) Coupon rate: 0%

(e) Secured or unsecured: Unsecured bonds

(f) Period: From January 11, 2022 to January 11, 2027

(g) Terms of Conversion:

i. Conversion period:

The bondholders would have the right to convert their bonds at any time during the conversion period commencing April 12, 2022 (the 3 months following the issuing date) to January 11, 2027 (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\$80.50 per share. The conversion price would be subject to adjustments upon the occurrence of certain events set out in the indenture.

Due to the distribution of cash dividends on ordinary shares in 2022, the company adjusted the conversion price based on the provisions for issuance and conversion of the second time unsecured convertible bonds. As a result, the conversion price had been adjusted from NT\$80.50 to NT\$76.41 since July 26, 2022.

iii. Redemption on the maturity date:

The Company would 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 April 12, 2022 to 40 days before maturity date (December 2, 2026) 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.

(i) Put option of the holder

The bondholders can execute put option after two years from issuance date (January 11, 2025). The Company should send through registered mail the "Notification of bondholder's put option" 40 days before the put option base date (December 2, 2024). 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 (December 11, 2024). The put value is 101.51% 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.

In addition, the conversion amount of the Company's first unsecured convertible bonds was amounted to NT\$334,200 thousand and NT\$293,700 thousand, respectively.

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(18) Long-term loans

	As of December 31,	
	2022	2021
Syndicated loans	\$900,000	\$260,000
Bank loans	37,154	168,628
Subtotal	937,154	428,628
Less: arrangement fee	(3,511)	(551)
Less: current portion	(220,487)	(239,245)
Net	\$713,156	\$188,832
Interest Rate (%)	1.425%~2.151%	1.450%~1.930%

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 maintains 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 financial reports of the year (half year) audited (reviewed) by the independent auditors. The financial ratio as of December 31, 2021 was satisfactory to the regulations of syndicated loan contract granted by preceding united banking group.

The above syndicated loan was fully paid in January 2022.

B. The Company signed the 5-year guarantee financing commitment contract of NT\$2 billion with joint credit syndicate led by Bank of Taiwan in January 2022.

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 financial reports of the year (half year) audited (reviewed) by the independent auditors. The financial ratio as of December 31, 2022, was satisfactory to the regulations of syndicated loan contract granted by preceding united banking group.

- C. The loan repayment period of other financial institutions was starts from 2017 to 2024 in installments.
- D. Please refer to Note 8 for more details on assets pledged for long-term loans.

(19) Post-employment benefits

Defined contribution plan

The Group and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group and its domestic subsidiaries 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, 2022 and 2021 were NT\$14,410 thousand and NT\$11,207 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Group amounted to NT\$3,396 thousand and NT\$3,611 thousand for the years ended December 31, 2022, and 2021, respectively.

Reversal of pension expenses recognized for the executives commissioned by the Group amounted to NT\$(12,897) thousand and NT\$0 thousand for the years ended December 31, 2022, and 2021, respectively.

#### Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. 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, 2022.

As of December 31, 2022 and 2021, the maturities of the Company's defined benefit plan were both expected in 2032 and 2031, respectively.

Pension costs recognized in profit or loss was as follows:

	For the year ended December 31,	
	2022	2021
Current period service costs	\$331	\$214
Net interest expense (income)	(247)	(149)
Total	\$84	\$65

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

	As of December 31,	
	2022	2021
Defined benefit obligation	\$44,814	\$54,218
Plan assets at fair value	(44,680)	(40,576)
Other non-current liabilities – net defined benefit liability	\$134	\$13,642

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2021	\$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)

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Subtotal	(2,271)	(555)	(2,826)
Payment from the plan	-	(794)	(794)
As of December 31, 2021	54,218	(40,576)	13,642
Current period service costs	331	-	331
Net interest expense (income)	-	(247)	(247)
Subtotal	331	(247)	84
Remeasurement on net defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	6	-	6
Actuarial gains and losses arising from changes in financial assumptions	(4,587)	-	(4,587)
Experience adjustments	(5,154)	-	(5,154)
Re-measurement on defined benefit assets	-	(3,063)	(3,063)
Subtotal	(9,735)	(3,063)	(12,798)
Contributions by employer	-	(794)	(794)
As of December 31, 2022	\$44,814	\$(44,680)	\$134

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

	As of December 31,	
	2022	2021
Discount rate	1.39%	0.61%
Expected rate of salary increases	3.00%	3.00%



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Sensitivity analysis:

	For the year ended December 31,			
	2022		2021	
	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%	\$-	\$(2,609)	\$-	\$(3,583)
Discount rate decreased 0.5%	2,863	-	3,951	-
Expected salary increased 0.5%	2,802	-	3,836	-
Expected salary decreased 0.5%	-	(2,582)	-	(3,520)

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 was consistent for both current and prior years.

(20) Non-current provision

	<u>Returns and discounts</u>
As of January. 1, 2022	\$-
New in the period — Acquired in a business	496
New in the period	19,599
Use in the period	(12,901)
As of December 31, 2022	<u>\$7,194</u>
Current	\$-
Non-Current	<u>7,194</u>
Total	<u>\$7,194</u>

Returns and discounts

The provision was based on historical experience, judgement of the management, and the other factors to estimate possible returns and discounts liability of the products in the future.

(21) Equity

A. Common stock

As of December 31, 2022 and 2021, the Company's authorized capital were NT\$10,000,000 thousand, and paid-in capital were NT\$746,517 thousand and NT\$680,090 thousand, each share at par value of NT\$10, divided into 74,652 thousand and 68,009 thousand shares. Each share except treasury stock has one voting right and a right to receive dividends.

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.

For the year ended December 31, 2022, the unsecured convertible bonds in amount of NT\$40,500 thousand was applied to convert into common stock NT\$8,535 thousand, divided into 854 thousand shares, each share at par value of NT\$10.

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B. Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	\$814,399	\$781,940
Treasury stock trade	1,617	-
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	1,311
Expired employee stock option	4,737	4,462
Conversion right	38,392	2,709
<b>Total</b>	<b>\$859,145</b>	<b>\$790,422</b>

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, 2022 and 2021.

The movement schedule of treasury stock for the year ended December 31, 2022 was as below (in thousand shares):

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the year ended December 31, 2022</u>				
Transfer to employees	1,000	-	-	1,000

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

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

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

#### D. Retained earnings and dividend policies

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

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

The company distributed dividends or part or all of the legal reserve and capital surplus by cash, authorized the board to conduct after more than two-thirds of the directors attended the board meeting, and with consent of more than half directors presented, and reported to 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 serve 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.

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 the proportion and transfer to retained earnings.

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

The appropriations of earnings for the years 2022 and 2021 were approved through the Board of Directors' meetings and shareholders' meetings held on March 13, 2023 and June 23, 2022, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	\$2,910	\$19,397		
Special reserve	(579)	244		
Cash dividend	110,478	147,695	\$1.5000	\$2.0053

Please refer to Note 6(26) for details on employees' compensation and remuneration to directors and supervisors.

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E. Non-controlling interests

	For the year ended December 31,	
	2022	2021
Beginning balance	\$50,928	\$29,063
Net gain attributable to NCIs	19,406	1,140
Acquisition of shares issued by subsidiaries	(81,439)	-
Failure to subscribe for new shares issued by the subsidiary with capital increase in proportion to shareholding	15,667	14,952
Increase in non-controlling interests-reorganization	-	5,773
Change in non-controlling interests-obtained the control of the Welltech Energy Inc.	222,116	-
Change in non-controlling interests	(14,847)	-
Cash dividend by subsidiaries	(12,196)	-
Other comprehensive income in non-controlling interests:		
Exchange differences on translation	(641)	-
<b>Total</b>	<b>\$198,994</b>	<b>\$50,928</b>

(22) Share-based payment plans

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

Share-based payment plan for employees of the subsidiaries

On October 14, 2019, the Welltech Energy Inc., a subsidiary of the Company, was authorized to issue employee stock options. Each unit entitles an optionee to subscribe for 1,000 common shares of Welltech Energy Inc.. Settlement upon the exercise of the option will be made through the issuance of new shares by Welltech Energy Inc.. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting one year from the grant date. The validity of these stock option certificates would expire on December 31, 2024.

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The information related to the aforementioned stock-based compensation plan was as follows.

The date the stock option certificate is given	Total issued unit	Excuting price of per unit
2020.07.07	1,455	NT\$10
2021.03.22	876	NT\$10

(A) The following table lists the inputs to the model used for the plan are as follows:

	July 2020	March 2021
Expected volatility (%)	42.45%	38.51%
Risk-free interest rate (%)	0.2478%	0.1871%
Expected duration of excuting the options 100% (year)	4 years and 6 months	3 years and 8 months
Option pricing model	Black-Scholes	Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.



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

	2022		2021	
	Number of share options outstanding	Weighted average exercise price of share options (NT\$)	Number of share options outstanding	Weighted average exercise price of share options (NT\$)
Outsanding at beginning of period	1,422	\$10	1,445	\$10
Grand	-	-	876	10
Exercised	-	-	(899)	10
Forfeited	(1,127)	10	-	-
Outstanding at end of period	295	\$10	1,422	\$10
Exercisable at end of period	295		546	
Weighted average fair value of the share option given in the period		\$-		\$10

(C) The information of the outstanding share options of the aforementioned share-based payment plan as of December 31, 2022 and 2021 was listed in the table below :

	Range of exercise price	Weighted average remaining contractual life (Year)
<u>2022.12.31</u>		
Given on July 7, 2020	NT\$10	2 years
Given on March 22, 2021	NT\$10	2 years
<u>2021.12.31</u>		
Given on July 7, 2020	NT\$10	3 years
Given on March 22, 2021	NT\$10	3 years

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(D) The expense recognized for employee services received during the years ended December 31, 2022 and 2021, is shown in the following table:

	<u>2022</u>	<u>2021</u>
Total expense arising from equity-settled share-based payment transactions (Equity-settled share-based payment)	<u>(Note)</u>	<u>(Note)</u>

Note : The Company acquired the control of Welltech Energy Inc. on April 1, 2022, and began consolidating the subsidiary after obtaining control. Therefore, the expenses incurred before gaining control would not disclose.

(23) Operating revenue

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Sales of goods	\$2,703,687	\$2,216,647
Other operating revenue	9,863	9,228
Total	<u>\$2,713,550</u>	<u>\$2,225,875</u>

Analysis of revenue from contracts with customers during the year ended December 31, 2022 and 2021 is as follows:

A. Disaggregation of revenue

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Single department</u>	<u>Single department</u>
Sales of goods	\$2,703,687	\$2,216,647
Others	9,863	9,228
Total	<u>\$2,713,550</u>	<u>\$2,225,875</u>
The timing for revenue recognition:		
At a point of time	<u>\$2,713,550</u>	<u>\$2,225,875</u>

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B. Contract balances

(a) Contract liabilities – current

	As of December 31,	
	2022	2021
Sales of goods	\$33,019	\$20,397

The changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 were as follows:

	For the year ended December 31,	
	2022	2021
The opening balance transferred to revenue	\$(20,397)	\$(59,137)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	33,019	20,397

C. Assets recognized from costs to fulfill a contract

None.

(24) Expected credit losses/(gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses		
Accounts receivable	\$2,626	\$5,721
Other receivables	600	-
Subtotal	3,226	\$5,721
Non-operating revenue and expense – Expected credit losses		
Other current assets	4,166	-
Subtotal	4,166	-
Total	\$7,392	\$5,721

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

The Group measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2022 and 2021 were as follows:

A. The Group considered the grouping of accounts receivable and financing lease payments receivable by counterparties' credit rating, geographical region and industry sector and its loss allowance was measured by using a provision matrix. Details are as follows:

As of December 31, 2022

	Not yet Due (Note)	Overdue						Total
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	>=150 days	
Gross carrying amount	\$633,494	\$130,240	\$9,922	\$634	\$711	\$1,006	\$16,771	\$792,778
Loss ratio	-%	-%	-%	-%	10%	46%	79%	
Lifetime expected credit losses	-	(269)	-	-	(74)	(460)	(13,332)	(14,135)
Carrying amount of accounts receivable	\$633,494	\$129,971	\$9,922	\$634	\$637	\$546	\$3,439	\$778,643

As of December 31, 2021

	Not yet Due (Note)	Overdue						Total
		<=30 days	31-60 days	61-90 days	91-120 days	121-150 days	>=150 days	
Gross carrying amount	\$444,324	\$25,814	\$7,886	\$52	\$2,276	\$-	\$10,059	\$490,411
Loss ratio	-%	-%	11%	100%	13%	-%	100%	
Lifetime expected credit losses	-	-	(856)	(52)	(293)	-	(10,059)	(11,260)
Carrying amount of accounts receivable	\$444,324	\$25,814	\$7,030	\$-	\$1,983	\$-	\$-	\$479,151

Note: The Group's financing lease payments receivable were not overdue.

B. The movement in the provision for impairment of account receivable and financing lease payments receivable during the years ended December 31, 2021 and 2020 were as follows:

	Accounts receivable	Financing lease payments receivable	Other receivables
Beginning balance as of January 1, 2022	\$11,260	\$-	\$-
Acquired in a business combination	889	-	-
Addition for the current period	2,626	-	600
Write off	(640)	-	-
Ending balance as of December 31, 2022	\$14,135	\$-	\$600
Beginning balance as of January 1, 2021	\$5,539	\$-	\$-
Addition for the current period	5,721	-	-
Ending balance as of December 31, 2021	\$11,260	\$-	\$-

(21) Leases

A. Group as a lessee

The Group's significant component of leasing properties was buildings, which have terms of 2 years. The assets leased by the group mainly consist of land-use rights, houses, and buildings. Leased duration of each contract was between 2 to 50 years. At the end of the lease term, there were no provisions for renewal or purchase in the lease agreement.

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

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

Book value of right-of-use asset

	As of December 31,	
	2022	2021
Land	\$43,488	\$-

The right-of-use asset of the Group increased NT\$46,831 thousand and NT\$0 on December 31, 2022 and 2021, respectively.

ii. Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities	\$-	\$-
Current	\$-	\$-
Non-current	\$-	\$-

Please refer to Note 6.27(4) financial expenses for detailed information on interest expenses related to lease liabilities of the Group on December 31, 2022 and 2021.

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(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the year ended December 31,	
	2022	2021
Land	\$1,014	\$-
Buildings	939	-
Total	\$1,953	\$-

(c) Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases	\$3,252	\$4,469

(d) Cash outflow relating to leasing activities

	For the year ended December 31,	
	2022	2021
Cash outflow for leases	\$4,198	\$4,469

B. Group as a lessor

Please refer to Note 6(11) for details on the Group's owned investment properties. The Group had entered leases on plants and commercial building. These leases had terms of between 1 and 5 years. These leases were classified as operating leases as they did not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

The Group has entered into leases on certain machinery and equipment with lease terms of 8 years. These leases are classified as finance leases as they transfer substantially all the risks and rewards incidental to ownership of underlying assets.

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	For the year ended December 31,	
	2022	2021
Lease income recognized under operating leases		
Income relating to fixed lease payments	\$86,167	\$79,885
Lease income recognized under finance leases		
Finance income on the net investment in the lease	572	245
Total	<u>\$86,739</u>	<u>\$80,130</u>

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2022 and 2021 were as follows:

	As of December 31,	
	2022	2021
Less than one year	\$77,495	\$66,707
More than one year but less than five years	223,237	197,918
More than five years	29,047	65,606
Total	<u>\$329,779</u>	<u>\$330,231</u>

For finance leases entered by the Group, the undiscounted lease payments to be received and a total amount for the remaining years as of December 31, 2022 and 2021, please refer to Note 6(6).



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

Function  Nature	For the year ended December 31,					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salaries & wages	\$112,932	\$157,470	\$270,402	\$137,207	\$119,644	\$256,851
Labor and health insurance	14,068	10,627	24,695	15,443	7,318	22,761
Pension	8,583	9,307	17,890	7,391	7,492	14,883
Other employee benefit	6,722	5,148	11,870	5,484	3,214	8,698
Depreciation(Note)	115,097	21,092	136,189	95,756	14,856	110,612
Amortization	162	8,942	9,104	-	19,458	19,458

Note: Including recognized as other gains and losses.

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, 2022, employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$3,163 thousand (3.50%) and NT\$1,356 thousand (1.50%), respectively. And employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$9,020 thousand (3.50%) and NT\$3,866 thousand (1.50%), respectively. The aforementioned employees' compensation and remuneration to directors were recognized as employee benefit expense.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$3,163 thousand and NT\$1,356 thousand, respectively, in a meeting held on March 13, 2023. 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, 2022.

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.

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.

(27) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$4,980	\$2,005
Interest on financial lease	572	245
Rental income	86,167	79,885
Other income	24,564	26,597
Dividend income	4,984	3,046
Total	\$121,267	\$111,778

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B. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$(5,233)	\$2,533
Loss on disposal of intangible assets	(67)	-
Gain on disposal of investments	4,822	16,877
Foreign exchange gain (loss), net	30,527	(9,330)
Impairment loss—property, plant and equipment	(6,541)	-
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	(42,656)	2,526
Gain on lease modification	3	-
Net loss arising from derecognition of financial liabilities measured at amortised cost	(188)	-
Other losses	(43,358)	(12,144)
Total	\$(62,691)	\$462

C. Finance costs

	For the year ended December 31,	
	2022	2021
Interest on bank loans	\$30,209	\$10,680
Interest on bonds payable	9,174	7,263
Interest on lease liabilities	3	-
Imputed interest on deposit	156	144
Total	\$39,542	\$18,087

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(28) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassificat ion during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Not reclassified to profit or loss:</u>					
Gains (losses) on remeasurements of defined benefit plans	\$12,798	\$-	\$12,798	\$-	\$12,798
Unrealized gain (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,659)	-	(1,659)	-	(1,659)
Unrealized gain (losses) from investments in equity instruments measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	(4)	-	(4)	-	(4)
<u>Items that may subsequently be reclassified to profit or loss:</u>					
Exchange difference on translation	(1,380)	-	(1,380)	-	(1,380)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	85	-	85	-	85
<b>Total</b>	<b>\$9,840</b>	<b>\$-</b>	<b>\$9,840</b>	<b>\$-</b>	<b>\$9,840</b>

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For the year ended December 31, 2021

	Arising during the period	Reclassificat ion during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Not reclassified to profit or loss:</u>					
Gains (losses) on remeasurements of defined benefit plans	\$2,826	\$-	\$2,826	\$-	\$2,826
Unrealized gain (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,175)	-	(1,175)	-	(1,175)
Unrealized gain (losses) from investments in equity instruments measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	4	-	4	-	4
<u>Items that may subsequently be reclassified to profit or loss:</u>					
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(89)	-	(89)	-	(89)
<b>Total</b>	<b>\$1,566</b>	<b>\$-</b>	<b>\$1,566</b>	<b>\$-</b>	<b>\$1,566</b>

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(29) Income tax

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

Income tax expense (benefit) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense (income):		
Current income tax expense	\$10,062	\$5,074
Adjustments in respect of current income tax of prior periods	881	(698)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	13,441	(3,074)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	9,345	79,514
Deferred tax expense arising from write-down or reversal of deferred tax assets	36,958	(24,155)
Total income tax expense	<u>\$70,687</u>	<u>\$56,661</u>

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

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$120,012	\$250,339
Tax payable at the enacted tax rates	\$24,003	\$52,953
Tax effect of expenses not deductible for tax purposes	8,320	183
Tax effect of deferred tax assets/liabilities	36,958	11,627
Surtax on undistributed earnings	2,248	12
Adjustment in respect of current income tax of prior periods	881	(698)
Other adjustments according to the Tax Law	(1,723)	(7,416)
Total income tax recognized in profit or loss	\$70,687	\$56,661

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Arised from consolidat ion	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2022
Temporary differences					
Unrealized exchange loss (gain)	\$732	\$234	\$(492)	\$-	\$474
Unrealized loss on inventory valuation	3,440	117	(1,109)	-	2,448
Impairment loss	-	1,876	-	-	1,876
Unrealized bonus of untaken leave	-	86	1	-	87
Portionate loss of subsidiaries under equity method	-	18,699	2,837	-	21,536
Unrealized intragroup profits and losses	-	708	685	-	1,393
Provision	-	94	-	-	94
Expected credit losses	1,494	-	758	-	2,252
Unrealized loss on disposal of investments	2,033	-	-	-	2,033
Impairment loss on property, plant and equipment	1,836	-	(200)	-	1,636
Net defined benefit asset	6,060	-	(2,060)	-	4,000
Unused tax losses	212,535	16,471	(60,164)	-	168,842
Deferred tax(expense)/ income		<u>\$38,285</u>	<u>\$(59,744)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$228,130</u>				<u>\$206,671</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$228,130</u>				<u>\$206,846</u>
Deferred tax liabilities	<u>\$-</u>				<u>\$(175)</u>



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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
<b>Temporary differences</b>				
Unrealized exchange loss (gain)	\$(493)	\$1,225	\$-	\$732
Unrealized loss on inventory valuation	2,920	520	-	3,440
Expected credit losses	350	1,144	-	1,494
Unrealized intragroup profits and losses	507	(507)	-	-
Unrealized loss on disposal of investments	2,033	-	-	2,033
Impairment loss on property, plant and equipment	2,035	(199)	-	1,836
Net defined benefit asset	5,368	692	-	6,060
Unused tax losses	267,695	(55,160)	-	212,535
Deferred tax(expense)/ income		<u>\$(52,285)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$280,415</u>			<u>\$228,130</u>
<b>Reflected in balance sheet as follows:</b>				
Deferred tax assets	<u>\$280,908</u>			<u>\$228,130</u>
Deferred tax liabilities	<u>\$(493)</u>			<u>\$-</u>

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Unused tax loss information of the Group was summarized as below:

Occurrence year	Accumulated net operating losses	Unused balance		Expiration Year
		As of December 31, 2022	2021	
2012	\$253,106	\$-	\$245,887	2022
2013	585,684	519,724	519,724	2023
2014	333,184	333,184	333,184	2024
2015	41,386	41,386	41,386	2025
2016	58,922	33,599	33,599	2026
2017	91,598	32,897	32,897	2027
2018	36,709	19,373	-	2028
2019	14,614	14,614	-	2029
2020	1,451	1,451	1,451	2030
2021	44	44	61	2031
2022(Expected)	29,596	29,596	-	2032
<b>Total</b>	<b>\$1,446,294</b>	<b>\$1,025,868</b>	<b>\$1,208,189</b>	

Unrecognized deferred income tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized amounted to NT\$63,297 thousand and NT\$30,548 thousand, respectively.

**B. The assessment of income tax returns**

As of December 31, 2022, the assessment status of income tax returns of the Group was as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Subsidiary-Cashido Corporation	Assessed and approved up to 2020
Subsidiary-Newrit Asset Co.,Ltd	Assessed and approved up to 2020
Subsidiary-Ritwin Corporation	Assessed and approved up to 2019
Subsidiary-Welltech Energy Inc.	Assessed and approved up to 2020

## (30) 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,	
	2022	2021
Net income attributable to common shareholders of the Parent	\$29,919	\$192,160
Weighted average number of common stocks outstanding (in thousand shares)	73,585	67,210
Basic earnings per share (in NT\$)	\$0.41	\$2.86

## B. Diluted earnings per share

	For the year ended December 31,	
	2022	2021
Net income attributable to common shareholders of the Parent	\$29,919	\$192,160
Interest expense on convertible bonds	(Note)	7,263
Valuation adjustment of financial liabilities at fair value through profit or loss	(Note)	(174)
Net income attributable to common shareholders of the Parent after dilution	\$29,919	\$199,249

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	For the year ended December 31,	
	2022	2021
Weighted average number of common stocks outstanding for basic earnings per share (in thousand shares)	73,585	67,210
Effect of dilution:		
Employees' compensation - stock (in thousand shares)	118	144
Convertible bonds (in thousand shares)	(Note)	6,773
Weighted average number of common stocks outstanding after dilution (in thousand shares)	73,703	74,127
Diluted earnings per share (NT\$)	\$0.41	\$2.69

Note : Due to the antidilutive effect of calculating diluted earnings per share, only basic earnings per share were disclosed.

There had 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.

(31) Subsidiary that has material non-controlling interests

The financial information of the subsidiary in which the Group has material non-controlling interests is provided as follows:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	As of December 31,	
		2022	2021
Cashido Corporation	Taiwan	-%	21.34%
Newrit Asset Co., Ltd.	Taiwan	1.84%	35.06%
Ritwin Corporation	Taiwan	10.47%	5.88%
Welltech Energy Inc.	Taiwan	33.77%	-%

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Accumulated balances of material non-controlling interest:

	As of December 31,	
	2022	2021
Cashido Corporation	\$-	\$14,186
Newrit Asset Co., Ltd.	15,038	30,095
Ritwin Corporation	27,327	6,647
Welltech Energy Inc.	156,629	-
Total	\$198,994	\$50,928

Profit (loss) allocated to material non-controlling interest:

	For the year ended December 31,	
	2022	2021
Cashido Corporation	\$(2,937)	\$32
Newrit Asset Co., Ltd.	213	236
Ritwin Corporation	1,573	872
Welltech Energy Inc.	20,557	-
Total	\$19,406	\$1,140

The summarized financial information of the subsidiaries was provided below. This information was based on amounts before inter-company eliminations.

Summarized Cashido Corporation information of profit or loss was as follows:

	For the year ended December 31,	
	2022	2021
Operating revenue	\$41,835	\$94,798
Profit (loss) from continuing operation	(24,505)	147
Total comprehensive income for the period	(24,505)	147

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Summarized Newrit Asset Co., Ltd. information of profit or loss was as follows:

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenue	\$28,129	\$764
Profit from continuing operation	6,150	719
Total comprehensive income for the period	6,150	719

Summarized Ritwin Corporation information of profit or loss was as follows:

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenue	\$766,897	\$520,430
Profit from continuing operation	23,810	15,224
Total comprehensive income for the period	23,810	15,224

Summarized Welltech Energy Inc. information of profit or loss was as follows:

	From April 1, 2022	For the year ended
	to December 31, 2022	December 31, 2021
Operating revenue	\$915,995	N/A
Profit from continuing operation	43,256	N/A
Total comprehensive income for the period	42,023	N/A

Summarized Cashido Corporation information of financial position was as follows:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current assets	\$43,120	\$78,138
Non-current assets	6,914	6,272
Current liabilities	8,062	17,933

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Summarized Newrit Asset Co., Ltd. information of financial position was as follows:

	As of December 31,	
	2022	2021
Current assets	\$67,073	\$55,646
Non-current assets	864,988	168,444
Current liabilities	114,625	16,400
Non-current liabilities	146	1,851

Summarized Ritwin Corporation information of financial position was as follows:

	As of December 31,	
	2022	2021
Current assets	\$664,710	\$466,709
Non-current assets	55,400	13,937
Current liabilities	458,250	367,459
Non-current liabilities	816	150

Summarized Welltech Energy Inc. information of financial position was as follows:

	As of December 31,	
	2022	2021
Current assets	\$794,881	N/A
Non-current assets	120,919	N/A
Current liabilities	444,735	N/A
Non-current liabilities	7,194	N/A

Summarized Cashido Corporation cash flows information was as follows:

	For the year ended December 31,	
	2022	2021
Operating activities	\$(24,840)	\$(4,912)
Investing activities	5,895	(2,975)
Financing activities	-	-
Net decrease in cash and cash equivalents	(18,945)	(7,887)

Summarized Newrit Asset Co., Ltd. cash flows information was as follows:

	For the year ended December 31,	
	2022	2021
Operating activities	\$(1,653)	\$2,362
Investing activities	(618,863)	(144,288)
Financing activities	603,309	134,858
Net decrease in cash and cash equivalents	(17,207)	(7,068)

Summarized Ritwin Corporation cash flows information was as follows:

	For the year ended December 31,	
	2022	2021
Operating activities	\$(104,301)	\$(307,618)
Investing activities	(5,611)	(14,033)
Financing activities	98,100	361,900
Net increase (decrease) in cash and cash equivalents	(11,812)	40,249

Summarized Welltech Energy Inc. cash flows information was as follows:

	For the year ended December 31,	
	2022	2021
Operating activities	\$27,136	N/A
Investing activities	69,034	N/A
Financing activities	(52,862)	N/A
Net increase in cash and cash equivalents	43,308	N/A



(32) Reorganization

Because of the intra-group reorganization, the Company participated in the capital increase of Ritwin Corporation in July 2021 and obtained 9,412 thousand shares with an ownership interest of 94.12%, which was reorganization under common control. The transaction was accounted for using the book value method, and the difference between the acquisition cost and the net equity of Ritwin Corporation was adjusted in capital surplus as below:

Book value for acquired ownership interest of 94.12%	\$92,417
Acquisition cost	<u>(94,120)</u>
Difference was accounted for in the capital surplus	<u><u>\$(1,703)</u></u>

Before acquiring an ownership interest of 94.12%, the balance of equity attributable to the former owner of business combination under common control amounting to \$3,436 thousand has been eliminated upon completing the transactions above.

(33) Business combination

Subsidiary — acquisition of Welltech Energy Inc.

(1) Got consideration of the subsidiary

On April 1, 2022, the Group obtained 7,172 thousand shares from the former shareholders of Welltech Energy Inc. with NT\$107,580 thousand. The ownership interest increased from 31.63% to 50.12%, and the Group indirectly acquired its subsidiaries and affiliated companies, as well as obtained a majority of the board seats. Consequently, the group gained the control over the company and began to consolidate it as a subsidiary from the date of acquiring control.

The main reason the Group acquiring the Welltech Energy Inc was to expand the layout of components for household and consumer electronics products as well as take advantage of opportunities for cooperation with existing products.

The Group measured the non-controlling interest of the Welltech Energy Inc. with using the relative shares based on the recognized amount of net identifiable assets.

- (2) The fair value of identifiable assets and liabilities of the Welltech Energy Inc at the acquisition date were as follows:

	<u>Fair value at the acquisition date</u>
Assets	
Cash and cash equivalents	\$87,121
Financial assets measured at amortized cost	68,005
Notes and accounts receivable	210,748
Other receivables	434
Inventory	298,444
Prepayments	11,217
Other current assets	8,675
Financial assets measured at fair value through other comprehensive income – non current	14,847
Property, plant and equipment	56,457
Right-of-use assets	46,831
Intangible assets – software	1,760
Deferred income tax assets	38,285
Other non-current assets	7,874
Total	<u>850,698</u>
Liabilities	
Short-term loans	224,601
Contract liability	2,198
Notes and accounts payable	141,909
Other payables	19,783
Lease liabilities	1,416
Lon-term loans within one year	6,052
Other current liabilities	8,951
Provision	496
Total	<u>405,406</u>
Total amount on fair value of net identifiable assets	<u><u>\$445,292</u></u>

	<u>Fair value at the acquisition date</u>
Goodwill of the Welltech Energy Inc was as follow:	
Cash consideration	\$170,045
Add : Recognition of investments accounted for equity method and relative equity accounts	150,721
Add : Fair value of non-controlling equity (49.88% of the fair value of net identifiable assets)	222,116
Less : fair value of identifiable asset	<u>(445,292)</u>
Goodwill	<u>\$97,590</u>

Cash consideration

Cashflow of acquisition	
Net cash received from subsidiaries	\$87,121
Cash payments	<u>(170,045)</u>
Net cash outflow	<u>\$(82,924)</u>

**(3) Information on the planned results of business operations**

From the date of acquisition (April 1, 2022) to December 31, 2022, the Welltech Energy Inc. had generated operating revenue and net profit after tax for the Group amount to NT\$919,497 thousand and NT\$43,256 thousand, respectively. If consolidated at the beginning of the year, the operating revenue generated would be NT\$1,162,358 thousand and the net profit after-tax would be NT\$62,242 thousand.

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(34) Change in ownership equity of subsidiaries

Acquiring current shares issued by the subsidiary

- (1) In August and September, 2022, the Group acquired 13.19% of voting shares of Cashido Corporation, and the ownership was increased to 91.85%. The cash consideration paid to non-controlling interest shareholders was NT\$ 8,775 thousand and the net assets of Cashido Corporation (original acquisition cost, excluding goodwill) were NT\$ 44,237 thousand. The aforementioned transaction including a decrease in non-controlling interests and accumulated other comprehensive income adjustments was as follows:

Cash paid by the Group to non-controlling shreholders	\$(8,775)
Increase (decrease) in non-controlling equity	7,644
Difference recognized in additional paid-in capital (or retain earning)	\$(1,131)

- (2) In September 2022, the Group acquired 6.07% voting shares of Welltech Energy Inc., and the ownership was increased to 56.19%. The cash consideration paid to non-controlling interest shareholders was NT\$35,335 thousand and the net assets of Welltech Energy Inc. (original acquisition cost, excluding goodwill) was NT\$448,049 thousand. The aforementioned transaction including a decrease in non-controlling interests and accumulated other comprehensive income adjustments was as follows:

Cash paid by the Group to non-controlling shreholders	\$(35,335)
Increase (decrease) in non-controlling equity	27,211
Difference recognized in additional paid-in capital (or retain earning)	\$(8,124)

- (3) In December 2022, the Group additionally acquired 10.04% voting shares of Welltech Energy Inc., and the ownership was increased to 66.23%. The cash consideration paid to non-controlling interest shareholders was NT\$58,430 thousand and the net assets of Welltech Energy Inc. (original acquisition cost, excluding goodwill) was NT\$463,871 thousand. The aforementioned transaction including a decrease in non-controlling interests and accumulated other comprehensive income adjustments was as follows:

Cash paid by the Group to non-controlling shareholders	\$(58,430)
Increase (decrease) in non-controlling equity	46,584
Difference recognized in additional paid-in capital (or retained earnings)	<u><u>\$(11,846)</u></u>

Did not consistently acquire new shares with the Group's original shareholding proportion issued by the subsidiary

- (1) On January 11, 2022, Newrit Asset Co., Ltd. issued new shares, all of that were acquired by the Group increasing the ownership to 96.33%. The net assets of Newrit Asset Co., Ltd. (original acquisition cost, excluding goodwill) was NT\$86,151 thousand. The aforementioned transaction including a decrease in non-controlling interests was as follows:

Cash receipt of the Group	\$-
Increase (decrease) in non-controlling equity	(424)
Difference recognized in additional paid-in capital (or retained earnings)	<u><u>\$424</u></u>

- (2) On July 25, 2022, Ritwin Corporation issued new shares. The Group did not consistently acquire new shares with its' original shareholding proportion, resulting a decrease of its ownership to 89.14%. The net assets of Ritwin Corporation (original acquisition cost, excluding goodwill) was NT\$123,206 thousand. The aforementioned transaction including a decrease in non-controlling interests was as follows:

Cash receipt of the Group	\$24,732
Increase (decrease) in non-controlling equity	15,920
Difference recognized in additional paid-in capital (or retained earnings)	<u><u>\$8,812</u></u>

Conducting shares conversion and issuing new shares according to Enterprise Mergers and Acquisitions Law

On October 12, 2022, Ritwin Corporation conducted shares conversion and issued new shares to acquire all the shares of Cashido Corporation, resulting an increase of the Group's ownership to 89.53%. The net assets of Ritwin Corporation (original acquisition cost, excluding goodwill) was NT\$215,762 thousand. and the related equity increase of Ritwin Corporation included a decrease in non-controlling interests was as follows:

Cash receipt of the Group	\$-
Increase (decrease) in non-controlling equity	171
Difference recognized in additional paid-in capital (or retained earnings)	<u><u>\$(171)</u></u>

7. RELATED PARTY TRANSACTIONS

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

Name and nature of relationship of the related parties

<u>Related parties</u>	<u>Relationship</u>
Ritek Corporation	Ultimate parent company
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
Kunshan Kunlai Trade Co., Ltd.	Ultimate parent company's associate
Ricare Corporation	Ultimate parent company's associate
Ritek Foundation	The director of the Company was same
Luminit Automotive Technology Corporation	Associate (reclassified to non-current assets to be sold in October 2022)
Welltech Energy Inc.	Associate (being subsidiary since April 1, 2022)
Finesil Technology Inc.	Ultimate parent company's associate

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<u>Related parties</u>	<u>Relationship</u>
Prorit Corporation	Ultimate parent company's associate
Conrexx Technology B.V.	Ultimate parent company's associate
Han-win Technology Co., Ltd.	The legal director of the Company was ultimate parent company's associate
Taiwan Truewin Technology Co., Ltd	Ultimate parent company's associate(Lost control in September, 2021)
Zhejiang Truewin Renewables Technology Co., Limited	Ultimate parent company's associate(Lost control in September, 2021)
Kunshan Proteck Corporation	Ultimate parent company's associate
Dollars Cultural & Creative Company Limited	Ultimate parent company's associate
Branch of U-tech Media Corporation	Ultimate parent company's associate
Ikari Coffee Co., Ltd.	Ultimate parent company's associate
JHEN JHUAN CO., LTD.	Ultimate parent company's associate
WELLDONE COMPANY	The legal director of Welltech Energy Inc.
Taiwan Digi-Com. (Note1)	Material related party of Welltech Energy Inc.

Note1: Taiwan Digi-Com. had renamed itself LifeLink Co., LTD since September 8, 2022.

Significant transactions with related parties

A. Sales

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Parent company	\$10,784	\$463,382
Other related parties	8,040	11,098
Associate	31	-
Total	<u>\$18,855</u>	<u>\$474,480</u>

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

## B. Purchases

	For the year ended December 31,	
	2022	2021
Parent company	\$82	\$69
Kunshan Hutek Co., Ltd.	218,358	279,352
Kunshan Kunlai Trade Co., Ltd.	541,864	350,027
Other related parties	14,164	43,275
Total	\$774,468	\$672,723

As the specifications of merchandise purchased from the related parties were 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. Accounts receivable-related parties

	As of December 31,	
	2022	2021
Parent company	\$11,565	\$165,125
Other related parties	8,514	5,779
Total	20,079	170,904
Less: loss allowance	-	-
Total	\$20,079	\$170,904

## D. Financing lease payments receivable-related parties (Current and Non-current)

	As of December 31,	
	2022	2021
Parent company	\$11,988	\$14,652
Less: unearned finance income	(430)	(635)
Total	\$11,558	\$14,017
Current	\$2,497	\$2,458
Non-current	\$9,061	\$11,559



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The Group leased machinery which carrying amount was NT\$19,990 thousand to parent company by financial lease in July 2019. The leasing term was eight years and paid NT\$222 (without VAT) thousand monthly. Please refer to Note 6(6).

E. Other receivables-related parties

	As of December 31,	
	2022	2021
Parent company	\$136	\$101
Other related parties	2,324	-
Associate	26	-
<b>Total</b>	<b>\$2,486</b>	<b>\$101</b>

F. Accounts payable-related parties

	As of December 31,	
	2022	2021
Parent company	\$60	\$6
Kunshan Hutek Co., Ltd.	156,412	161,371
Other related parties	2,739	7,007
<b>Total</b>	<b>\$159,211</b>	<b>\$168,384</b>

G. Other payables-related parties

	As of December 31,	
	2022	2021
Parent company	\$5,480	\$10,616
Other related parties	10,631	1,529
<b>Total</b>	<b>\$16,111</b>	<b>\$12,145</b>

## H. Prepayments-related parties

	As of December 31,	
	2022	2021
Kunshan Kunlai Trade Co., Ltd.	\$35,518	\$105,833
Other related parties	18,586	-
Total	\$54,104	\$105,833

## I. Contract liabilities

	As of December 31,	
	2022	2021
Parent company	\$8	\$11,168
Other related parties	51	14
Total	\$59	\$11,182

## J. Lease-related parties

## Rental expense

	For the year ended December 31,	
	2022	2021
Parent company	\$3	\$3
Aimcore Technology Co., Ltd.	1,067	-
Other related parties	115	126
Total	\$1,185	\$129

## Rental income

	For the year ended December 31,	
	2022	2021
Other related parties	\$1,397	\$3,009

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Interest expenses

	For the year ended December 31,	
	2022	2021
Other related parties	\$3	\$-

Interest income

	For the year ended December 31,	
	2022	2021
Parent company	\$208	\$3
Other related parties	366	-
Total	\$574	\$3

K. Operating expense

Related parties	Nature	For the year ended December 31,	
		2022	2021
Parent company	Information system maintenance and other expense etc.	\$9,709	\$13,366
Other related parties	Manpower support and other expense etc.	2,748	5,395
Total		\$12,457	\$18,761

L. Other income

	For the year ended December 31,	
	2022	2021
Parent company	\$713	\$342
Associate	-	45
Other related parties	168	219
Total	\$881	\$606

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M. Transaction of assets

(a) Details of property transaction with related parties were as follows:

Related parties	Item	Purchase price	Reference basis for price decision	Note
<u>2022</u>				
Parent company	Purchase of land and building	\$720,000	Bidding	Note1
Parent company	Purchase of Machinery	\$33,289	Bidding	Note2
Other related parties	Purchase of land and building	\$4,000	Bidding	Note3
Other related parties	Purchase of Machinery	\$11,396	Bidding	
<u>2021</u>				
Other related parties	Purchase of Machinery	\$101	Bidding	

Note 1: Among them, NT\$120,000 thousand was recorded as a prepayment for land on December 31, 2021, and transferred into PP&E this period.

Note 2: Among them, NT\$13,316 thousand was recorded as a prepayment for equipment on December 31, 2021, and transferred into PP&E this period.

Note 3: Among them, NT\$1,200 thousand was recorded as a prepayment for land on December 31, 2021, and transferred into PP&E this period.

(b) The balance of property transaction was as follows:

Prepaid equipment-Non-Current assets

	As of December 31,	
	2022	2021
Parent company	\$-	\$13,316
Other related parties	-	1,053
<b>Total</b>	<b>\$-</b>	<b>\$14,369</b>

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Prepaid land-Non-Current assets

	As of December 31,	
	2022	2021
Parent company	\$-	\$120,000
Other related parties	-	1,200
<b>Total</b>	<b>\$-</b>	<b>\$121,200</b>

N. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	\$91,161	\$37,579
Post-employee benefits	1,107	432
<b>Total</b>	<b>\$92,268</b>	<b>\$38,011</b>

**8. ASSETS PLEDGED AS COLLATERAL**

The following assets of the Group were pledged as collaterals:

Items	Carrying amount as of		Secured liabilities
	2022	2021	
Property, plant and equipment-land	\$471,901	\$471,901	Long-term secured loans
Property, plant and equipment-depreciated assets	748,843	832,117	Long-term secured loans
Investment property	243,844	234,730	Long-term secured loans
Financial assets measured at amortized cost-current	321	-	Long-term secured loans
Financial assets measured at amortized cost-current	12,152	-	Short-term loan
Financial assets measured at amortized cost-non-current	3,514	8,674	Security deposit to custom authority and contract bond
Financial assets measured at amortized cost-non-current	5,185	5,047	Long-term secured loans
<b>Total</b>	<b>\$1,485,760</b>	<b>\$1,552,469</b>	

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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

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

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12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Measured at fair value through profit or loss	\$89,142	\$116,476
Financial assets at fair value through OCI	49,574	54,074
Financial assets measured at amortized cost:		
Cash and cash equivalents (Cash on hand not included)	552,898	686,174
Financial assets measured at amortized cost	63,704	62,302
Accounts receivable, net (related parties included)	767,085	465,134
Other receivables (related parties included)	38,925	11,551
Financing lease payments receivable-related parties	11,558	14,017
Subtotal	<u>1,434,170</u>	<u>1,239,178</u>
Total	<u>\$1,572,886</u>	<u>\$1,409,728</u>

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Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities at fair value through profit or loss:		
Financial liability held for trading	\$15,229	\$-
Financial liabilities at amortized cost:		
Short-term loans	500,000	531,700
Accounts payable (related parties included)	805,456	577,497
Bonds payable (including current portion with maturity less than 1 year)	541,330	54,293
Long-term loans (including current portion with maturity less than 1 year)	933,643	428,077
Subtotal	<u>2,780,429</u>	<u>1,591,567</u>
Total	<u>\$2,795,658</u>	<u>\$1,591,567</u>

(2) Financial risk management objectives and policies

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

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group'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 decrease/increase by NT\$3,418 thousand and NT\$121 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 Group's exposure to interest rate risk relates primarily to the Group'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, 2022 and 2021 would decrease /increase by NT\$817 thousand and NT\$211 thousand, respectively.

#### Equity price risk

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

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2022 and 2021 by NT\$891 thousand and NT\$1,163 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\$496 thousand and NT\$541 thousand of the equity attributable to the Group for the years ended December 31, 2022 and 2021, 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 Group 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 Group'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 Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 80% and 56% of the Group'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 Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Group 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 management

The Group 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 Group'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.

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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, 2022							
Loans	\$743,670	\$231,042	\$209,807	\$205,883	\$101,961	-	\$1,492,363
Payables	805,456	-	-	-	-	-	805,456
Bonds Payable	6,200	-	-	-	572,500	-	578,700
As of December 31, 2021							
Loans	\$779,672	\$141,900	\$27,706	\$2,408	\$20,712	\$-	\$972,398
Payables	577,497	-	-	-	-	-	577,497
Bonds Payable	-	56,200	-	-	-	-	56,200

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Long-term loans	Lease liability	Bonds payable	Other non- current liability	Total liabilities from financing activities
As of January 1, 2022	\$531,700	\$428,077	\$-	\$54,293	\$54,269	\$1,068,339
Cash flows	(256,301)	499,514	(946)	559,846	(7,762)	794,351
Non-cash changes	224,601	6,052	946	(72,809)	(13,508)	145,282
As of December 31, 2022	\$500,000	\$933,643	\$-	\$541,330	\$32,999	\$2,007,972

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term loans	Long-term loans	Bonds payable	Other non- current liability	Total liabilities from financing activities
As of January 1, 2021	\$142,153	\$576,115	\$330,379	\$56,878	\$1,105,525
Cash flows	389,547	(148,038)	-	3,479	244,988
Non-cash changes	-	-	(276,086)	(6,088)	(282,174)
As of December 31, 2021	\$531,700	\$428,077	\$54,293	\$54,269	\$1,068,339

(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 Group 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.)

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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 Group's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount as of Dec. 31,	
	2022	2021
Financial liabilities		
Bonds payable	\$541,330	\$54,293
	Fair value as of Dec. 31,	
	2022	2021
Financial liabilities		
Bonds payable	\$535,606	\$54,587

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

As of December 31, 2022 and 2021, the relevant information of the Group's holdings of derivatives that did not meet the requirements of hedging accounting and have not yet expired are 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), Note 6(16) and Note 6(17) 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

The Group did not have assets that were measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis was as follows:

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Measured at fair value through profit or loss				
Stock	\$89,142	\$-	\$-	\$89,142
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	3,686	-	45,888	49,574
Total	<u>\$92,828</u>	<u>\$-</u>	<u>\$45,888</u>	<u>\$138,716</u>
Liability measured at fair value:				
Measured at fair value through profit or loss –				
Non-current Embedded derivatives				
Total	<u>\$-</u>	<u>\$-</u>	<u>\$15,229</u>	<u>\$15,229</u>

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
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>



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Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, 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 was as follows:

	Assets
	Derivatives at fair value through profit or loss
As of January 1, 2022	\$169
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in profit or loss (presented in "other gains and losses")	(46)
Redemption and conversion for the year ended December 31, 2022	(123)
As of December 31, 2022	\$-
	Liabilities
	Derivatives at fair value through profit or loss
As of January 1, 2022	\$-
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in profit or loss (presented in "other gains and losses")	12,049
Acquisition of the year ended December 31, 2022	3,180
As of December 31, 2022	\$15,229

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	Assets	
	Financial assets at fair value through profit or loss Stock	Financial assets at fair value through other comprehensive income 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 of the year ended December 31, 2021	-	45,888
Disposals of the year ended December 31, 2021	(37,774)	-
As of December 31, 2021	\$-	\$45,888
	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)	
Disposals of the year ended December 31, 2021	(380)	
As of December 31, 2021	\$(169)	

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 was as follows:

As of December 31, 2022

	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 other comprehensive income					
Shares	Market approach	Discount for lack of liquidity	20%	The higher the degree of illiquidity, the lower the estimated fair value	When illiquidity increase/decrease 10%, equity of the Group would decrease/increase NT\$4,589 thousand
Financial liability:					
At fair value through profit or loss					
Embedded derivatives	A binomial-tree model for convertible bond pricing	Volatility	50.18%	The higher the volatility, the higher the fair value of the embedded derivatives	1% increase (decrease) in the volatility would result in the Group's profit or loss by increasing NT\$115 thousand and decreasing NT\$286 thousand

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	5% increase (decrease) in the volatility would result in the Group's profit or loss by increasing NT\$67 thousand and decreasing NT\$51 thousand
At fair value through other comprehensive income					
Shares	Market approach	Discount for lack of liquidity	20%	The higher the degree of illiquidity, the lower the estimated fair value	When illiquidity increase/decrease 10%, equity of the Group would decrease/increase NT\$4,589 thousand

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

As of December 31, 2022

	<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(11))	<u>\$-</u>	<u>\$-</u>	<u>\$279,484</u>	<u>\$279,484</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>\$535,606</u>	<u>\$535,606</u>

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(10))	<u>\$-</u>	<u>\$-</u>	<u>\$279,484</u>	<u>\$279,484</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>

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

	As of Dec. 31,					
	2022			2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$27,094	30.70	\$831,899	\$12,868	27.63	\$355,515
<u>Financial liabilities</u>						
Monetary items:						
USD	\$16,061	30.51	\$490,084	12,347	27.81	343,392

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,	
	2022	2021
USD	\$(12,836)	\$(7,290)
Other	43,363	(2,040)
Total	\$30,527	\$(9,330)

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 Group'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 Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: Please refer to attachment 1.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

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, 2022: Please refer to attachment 3.

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, 2022: 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, 2022: 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, 2022: Please refer to attachment 4.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022: Please refer to attachment 7.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.

B. Investees over which the Company exercises control shall be disclosed of information related to the above 1-9 items of the investee company: Please refer to attachment 4 and attachment 7.



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(3) Subsidiary-Information on investments in Mainland China: Welltech Energy Inc.

I. Name of invested company in mainland china, main business activities, paid-up capital, investment method, inflow and outflow of funds, shareholding ratio, investment profit and loss, end-of-period investment book value, repatriated investment profit and loss, and investment restrictions in mainland china:

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022 (NT\$'000)	Profit/Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000) (Note 2)	Carrying Amount as of Dec. 31, 2022 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022 (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)						
Techcharm Electronics (Shanghai) Co., Ltd.	Investment holding	\$153,540 (Note 4)	Note 1(2)	\$46,062	\$-	\$-	\$46,062	\$3,855 (Note 4)	100%	\$3,855 (Note 2(2)B, Note 4 and Note 5)	\$11,643 (Note 2(2)B, Note 4 and Note 5)	\$-
Changzhou Shangyang Photoelectricity Co., Ltd.	Electronics industry, manufacturing, battery manufacturing	\$422,081 (Note 4)	Note 1(2)	\$153,638	\$-	\$-	\$153,638	\$(8,486) (Note 4)	100%	\$(8,486) (Note 2(2)B, Note 4 and Note 5)	\$11,643 (Note 2(2)B, Note 4 and Note 5)	\$-

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Accumulated Outflow of Investment from Taiwan to Mainland China as of Dec. 31, 2022 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
\$199,700	\$199,700	\$278,323

Note 1: The investment methods are divided into the following three types, just indicate the types:

- (1) Go directly to the mainland for investment.
- (2) Reinvest in mainland China through a third-region company.
- (3) Other methods.

Note 2: Recognized in the column of share of profit or loss for the year ended December 31, 2022:

- (1) If it is under preparation and there is no share of profit or loss, should be noted.
- (2) The basis for recognition of share of profit or loss is divided into the following three types, should be noted:
  - A. Financial statements audited and certified by an international accounting firm that has a cooperative relationship with an accounting firm in the Republic of China.
  - B. Financial statements audited by certified public accountants of the parent company in Taiwan.
  - C. Other.

Note 3: Amounts shown in New Taiwan dollars.

Note 4: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5: It has been written off when the consolidated financial statements are prepared.

2. End-of-period balances of related accounts payable and the purchase amounts and percentages: Please refer to attachment 6.
3. End-of-period balances of related accounts receivable and the sales amounts and percentages: Please refer to attachment 6.
4. Property transaction amounts and other gains/losses: None.
5. End-of-period balances and purposes of endorsed bills and guarantees or provided collateral: None.
6. Maximum balance, end-of-period balance, interest rate range, and total interest for fund financing: None.
7. Other transaction items that have a significant impact on the current profit or financial condition, such as service provision or receipt: Please refer to attachment 7.
8. The above transaction items have been offset in the preparation of the consolidated financial statements. Please refer to attachment 7.

(4) Information on major shareholders

	Shares	
Major shareholders	Shares	%
Ritek Corporation	24,674,111	33.05%
U-tech Media Corporation	4,985,689	6.67%
Prorit Corporation	3,797,950	5.08%

14. SEGMENT INFORMATION

- (1) In 2021, the Group's main business was manufacturing, processing, and sales of organic electroluminescent displays. Therefore, the Group was aggregated into a single segment.

(2) For management purposes, in 2022, the Group had divided its operations into two reporting operating segments by considering the difference in products and services. The information was as follows:

(a) OLED product department: The segment was responsible for producing and manufacturing OLED, which were sold to electronic product manufacturers.

(b) Energy product department: The segment was responsible for electronic component assembling as well as battery manufacturing and selling to electronic product manufacturers.

Management oversaw the operating results of each business unit to make decisions on resource allocation and performance evaluation. The segment's performance was evaluated based on pre-tax income and measured consistently with the expressing in the consolidated financial statements. While, income tax in the consolidated financial statements was managed on a group basis and not allocated to operating segments.

Information on the segment's profit or loss, assets, and liabilities should be reported as follows.

For the year ended December 31, 2022

	OLED Product segment	Energy Product segment	Total segment should report	Other segment	Adjustment and elimination	Total
Revenue						
Revenue from external client	\$967,916	\$1,686,314	\$2,654,230	\$59,320	\$-	\$2,713,550
Interest revenue	5,554	472	6,026	1,183	(1,657)	5,552
Total	<u>\$973,470</u>	<u>\$1,686,786</u>	<u>\$2,660,256</u>	<u>\$60,503</u>	<u>\$(1,657)</u>	<u>\$2,719,102</u>
Operation income	<u>\$52,895</u>	<u>\$81,865</u>	<u>\$134,760</u>	<u>\$(14,748)</u>	<u>\$-</u>	<u>\$120,012</u>

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The information related to the operating segments's assets and liabilities of the Group as of December 31, 2022 and 2021 was as follows:

Assets of operating segment

	OLED Product segment	Energy Product segment	Total segment should report	Other segment	Adjustment and elimination	Total
Assets	\$2,940,442	\$1,558,583	\$4,499,025	\$988,316	\$(196,031)	\$5,291,310

Liabilities of operating segment

	OLED Product segment	Energy Product segment	Total segment should report	Other segment	Adjustment and elimination	Total
Liabilities	\$2,185,386	\$886,706	\$3,072,092	\$16,965	\$(196,031)	\$2,893,026

(3) Geographical information:

A.Revenues from external customers

	For the year ended December 31,	
	2022	2021
America	\$78,793	\$93,843
Taiwan	1,088,870	774,942
China	1,504,377	1,290,012
Other countries	41,510	67,078
Total	\$2,713,550	\$2,225,875

Note: The revenue information above is based on the location of the customers.

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B. Non-current assets

	As of December 31,	
	2022	2021
Taiwan	\$2,532,769	\$1,868,994

C. Information about major customers

	For the year ended December 31,	
	2022	2021
A Customer	\$757,368	Note 1
B Customer	386,388	Note 1
C Customer	362,608	Note 1
D Customer	283,769	Note 1
E Customer	Note 1	230,232
Total	\$1,790,133	\$230,232

Note 1: The customer's sales accounted less than 10% of consolidated net sales would not be disclosed.

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Attachment 1: Financing provided to others

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Counter-party	Financial accounting account	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
												Item	value		
0	RiTdisplay Corporation	Ritwin Corporation	Other receivables -related parties	\$100,000	\$100,000	\$100,000 (Note 4)	1.675%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$219,929 (Note 2)	\$879,716 (Note 2)
0	RiTdisplay Corporation	Welltech Energy Inc.	Other receivables -related parties	\$100,000	\$100,000	\$95,093 and Note 4)	4.460%	Need for short term financing	\$-	Business turnover	\$-	-	\$-	\$219,929 (Note 2)	\$879,716 (Note 2)

Note 1 : RiTdisplay Corporation is coded "0".

A subsidiary under the company's control is coded "1".

Note 2 : For the Company lending to other companies, the lending amount shall not exceed 40% of its net equity.

The amount for lending to a single enterprise shall not exceed 10% of lender's net equity.

Note 3 : Part of the actual amount is denominated in equivalent foreign currencies, and the foreign currency amount will be converted into NTD amounts based on the exchange rate of the balance sheet date

that may result in the amount being greater than the New Taiwan Dollar amount resolved by the Board of Directors of the Company.

Note 4 : It has been written off when the consolidated financial statements are prepared.

## Attachment 2: Marketable securities held as of December 31, 2022

(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, 2022				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value	
RiTdisplay Corporation	<u>Financial assets at fair value through profit or loss - current</u>							
	Stock							
	Hanstar Display Corporation	-	Financial assets at fair value through profit or loss - current	130,000	\$2,096	0.0044%	\$1,449	
	Kairmei Electronic Corporation	-	Financial assets at fair value through profit or loss - current	162,000	19,152	0.1491%	8,667	
	Foxsemicon Integrated Technology Corporation	-	Financial assets at fair value through profit or loss - current	64,000	13,832	0.0774%	11,424	
	Shin Kong Financial Holding Co., Ltd. - Preferred Shares B	-	Financial assets at fair value through profit or loss - current	1,101,000	49,342	0.0070%	39,526	
	Global Brands Manufacture Ltd.	-	Financial assets at fair value through profit or loss - current	840	23	0.0002%	23	
	Powerchip Semiconductor Manufacturing Corporation	-	Financial assets at fair value through profit or loss - current	61,000	2,873	0.0015%	1,943	
	Formosa Petrochemical Corporation	-	Financial assets at fair value through profit or loss - current	76,000	7,712	0.0008%	6,103	
	Ardentec Corporation	-	Financial assets at fair value through profit or loss - current	10,000	510	0.0020%	496	
	Radiant Opto-Electronics Corporation	-	Financial assets at fair value through profit or loss - current	48,000	5,471	0.0103%	5,040	
	Yuanta Financial Holding Co., Ltd	-	Financial assets at fair value through profit or loss - current	56,260	1,304	0.0005%	1,221	
	Cheng shin rubber ind. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	91,000	3,346	0.0028%	3,085	
	Yageo Corporation	-	Financial assets at fair value through profit or loss - current	9,551	5,737	0.0023%	4,308	
	Evergreen Marine Corporation	-	Financial assets at fair value through profit or loss - current	28,400	7,583	0.0013%	4,629	
	Calway Biopharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss - current	10,000	1,362	0.0163%	1,228	
	Less: Valuation adjustments of financial assets at fair value through profit or loss				(31,201)			
					<u>\$89,142</u>		<u>\$89,142</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	208,000	\$7,700	0.6473%	\$3,686	
	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				(4,014)			
	<b>Total</b>				<u>\$49,574</u>		<u>\$49,574</u>	

Note 1 : 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.



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Attachment 3: Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20% of the paid-in capital

(In Thousands of New Taiwan Dollars)

Company Name	Marketable securities name (Note 1)	Financial statement account	Counterparty (Note 2)	Relationship (Note 2)	Beginning balance		Acquisition (Note 3)		Disposal (Note 3)			Ending balance		
					Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount	Carrying Amount	Gain (loss) on Disposal	Shares/Unit	Amount (Note 5)
RiTdisplay Corporation	Wellech Energy Inc.	Investment accounted for under equity method	-	Subsidiaries	8,104,000	\$144,093	17,587,287	\$263,810	-	\$-	\$-	\$-	25,691,287	\$404,833

Note 1 : Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related securities of the above items.

Note 2 : Investors who use the equity method in their securities accounts are required to fill in these two fields.

Note 3 : The cumulative purchase and sale amount should be calculated separately according to the market price, whether it reaches 300 million yuan or 20% of the paid-up capital.

Note 4 : The amount of paid-up capital refers to the paid-up capital of the parent company. If the stock has no par value or the denomination per share is not NT\$10,

the transaction amount of 20% of the paid-up capital is required to be calculated in 10% of the equity attributable to the owners of the parent company in the balance sheet.

Note 5 : It is composed of NT\$28,684 thousand in a share of profit of associates and joint venture accounted for using equity method, NT\$538 thousand in disposition of the investment due to the acquisition of control,

NT\$(11,664) thousand in cash dividends received, NT\$(654) thousand in a share of profit or losses of subsidiaries, associates and joint ventures accounted for using equity method, NT\$(4) thousand in unrealized gains or losses on financial assets measured at fair value through other comprehensive income, NT\$(10,723) thousand in accumulated gain or losses due to the change of the shareholding ratio and NT\$(9,247) thousand in an adjustment of the balance of the capital reserve due to the change of the shareholding ratio.

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Notes to Consolidated Financial Statements of RiTdisplay Corporation (Continued)

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

Attachment 4: Related party transactions with purchases or sales amount at least of NT\$100 million dollars or 20 percent of the paid-in capital

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction details			Details of non-arm's length transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
RiTdisplay Corporation	Kunshan Hutek Co.,Ltd	Other related parties	Purchase	<u>\$218,171</u>	<u>38.75%</u>	100% prepaid before shipment	Specs of goods purchased are different from others. Cannot be reasonably compared.	100% prepaid before shipment	Accounts payable align="right"> <u>\$156,231</u>	<u>40.78%</u>	

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Notes to Consolidated Financial Statements of RiTdisplay Corporation (Continued)  
(Amount Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Attachment 5: Investees over whom the Company exercise significant influence or control (excluding investees in mainland china) as of December 31, 2022

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
RiTdisplay Corporation	Pvnext Corporation	Taiwan	Electronics industry	\$90,000	\$90,000	3,600,000	4.31%	\$-	\$(36,008)	\$-	
RiTdisplay Corporation	Luminit Automotive Technology Corporation	Taiwan	Electronics industry	-	30,000	-	-%	-	25,378	7,699	(Note6)
RiTdisplay Corporation	Welltech Energy Inc.	Taiwan	Electronics industry	393,801	129,991	25,691,287	66.23%	404,833	62,223	28,684	Subsidiary (Note1 and Note7)
RiTdisplay Corporation	Newrit Asset Co., Ltd.	Taiwan	Leasing business	780,300	55,000	78,030,000	96.33%	787,295	6,150	5,827	Subsidiary (Note2 and Note7)
RiTdisplay Corporation	Ritwin Corporation	Taiwan	Electronic components manufacturing, batteries manufacturing	200,020	94,120	13,623,072	89.53%	233,717	23,810	22,197	Subsidiary (Note3 and Note7)
RiTdisplay Corporation	Cashido Corporation	Taiwan	Electronics industry	-	40,996	-	-%	-	(24,505)	(19,303)	Second-tier subsidiary (Note4 and Note7)
Welltech Energy Inc.	Saintop Group Co., Ltd.	British Virgin Islands	Investment holding	73,067	73,067	2,000,000	100.00%	11,846	(3,855)	(2,958)	Second-tier subsidiary (Note7)
Welltech Energy Inc.	Formosa Fortune Holding Limited	British Virgin Islands	Investment holding	151,455	151,455	5,023,205	100.00%	36,352	(3,087)	(7,877)	Second-tier subsidiary (Note5 and Note7)
Welltech Energy Inc.	Newrit Asset Co., Ltd.	Taiwan	Leasing business	14,999	-	1,485,000	1.83%	14,956	6,150	109	Subsidiary (Note7)
Saintop Group Co., Ltd.	Hi-Tech Energy Limited	Hong Kong	Investment holding	53,192	53,192	5,050,000	100.00%	11,768	(3,855)	(2,900)	Third-tier subsidiary (Note7)
Formosa Fortune Holding Limited	Global Resources Channel Co., Ltd	British Virgin Islands	Investment holding	164,612	164,612	5,011,945	100.00%	7,129	(3,087)	(2,322)	Third-tier subsidiary (Note7)
Ritwin Corporation	Cashido Corporation	Taiwan	Electronics industry	66,479	-	5,500,000	100.00%	41,972	(24,505)	(2,265)	Second-tier subsidiary (Note4 and Note7)

Note1 : The Company reinvested in Welltech Energy Inc. at NT\$62,465 thousand on March 28, 2022, and obtained 4,164 thousand shares, increasing its shareholding ratio from 20.89% to 31.63%.

On April 1, 2022, the Company acquired another 7,172 thousand shares of Welltech Energy Inc. with NT\$107,580 thousand, increasing its shareholding ratio from 31.63% to 50.12%, and indirectly held its subsidiaries.

Included in the main body of preparation of consolidated financial statements on April 1, 2022.

On September 28, 2022, the Company acquired another 2,356 thousand shares of Welltech Energy Inc. with NT\$35,335 thousand, increasing its shareholding ratio from 50.12% to 56.19%.

On December 22, 2022, the Company acquired another 3,895 thousand shares of Welltech Energy Inc with NT\$58,430 thousand, increasing its shareholding ratio from 56.19% to 66.23%.

Note2 : The Company reinvested in Newrit Asset Co., Ltd. at NT\$725,300 thousand on January 11, 2022, and obtained 72,530 thousand shares, increasing its shareholding ratio from 64.94% to 96.33%.

Note3 : On July 22, 2022, due to the process from new issue, Ritwin Corporation did not subscribe of shares according to the shareholding ratio, resulted in the shareholding ratio being reduced from 94.12% to 89.14%.

On July 5, 2022, the board of directors of Ritwin Corporation resolved to convert shares and issued new shares to obtain all the shares of Cashido Corporation.

0.4029 ordinary share of Ritwin Corporation have been exchanged for 1 ordinary share of Cashido Corporation, and 2,216 thousand new shares with a nominal amount of NT\$10 per share have been issued this time, and the basis date of share conversion and process from new issue is on October 12, 2022. The shareholding ratio had been increased from 89.14% to 89.53%.

Note4 : From August to October, 2022, the Company reinvested a total of NT\$8,775 thousand in Cashido Corporation, and obtained 726 shares, increasing its shareholding ratio from 78.66% to 91.85%.

On July 5, 2022, the board of directors of Ritwin Corporation resolved to convert shares and issued new shares to obtain all the shares of Cashido Corporation, as a result, the shareholding ratio of the Company was reduced from 91.85% to 0%.

Note5 : Includes an investment loss NT\$2,369 thousand and an unrealized profit from sales of upstream transactions NT\$5,508 thousand.

Note6 : In October, 2022, the Company authorized the chairman of the Company to dispose of the shares of Luminit Automotive Technology Corporation, as a result, it was classified as non-current assets to be sold.

Note7 : It has been written off when the consolidated financial statements are prepared.

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Notes to Consolidated Financial Statements of RiTdisplay Corporation (Continued)

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

Attachment 6: Related party transactions with purchase or sale amount of at least NT\$100 million or 20% of the paid-in capital for the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction details			Details of non-arm's length transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Ritwin Corporation	Kunshan Kunlai Trade Co., Ltd.	Other related parties	Purchase	\$541,864	72.64%	100% prepaid before shipment	Specs of goods purchased are different from others. Cannot be reasonably compared.	100% prepaid before shipment	\$-	-%	
Welltech Energy Inc.	Changzhou Shangyang Photoelectricity Co., Ltd.	Subsidiary	Purchase	\$838,582 (Note1 and Note2)	46.48%	60 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	60 days after monthly closing	\$-	-%	
Changzhou Shangyang Photoelectricity Co., Ltd.	Welltech Energy Inc.	Parent company	Sale	\$(838,582) (Note1 and Note2)	(99.58)%	60 days after monthly closing	Would mark the average cost up within 1~5%	60 days after monthly closing	\$-	-%	

Note 1 : The Company obtained control of Welltech Energy Inc. and incorporated it into the consolidated entity since April 1, 2022.

The transactions related to Welltech Energy Inc. would be disclosed in consolidated Financial Statements.

Note 2 : It has been written off when the consolidated financial statements are prepared.

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Notes to Consolidated Financial Statements of RiTdisplay Corporation (Continued)

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

Attachment 7 : Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
0	RiTdisplay Corporation	Newrit Asset Co., Ltd.	1	Other receivable	\$21,671	Offset the credit-debt	0.41%
0	RiTdisplay Corporation	Newrit Asset Co., Ltd.	1	Other income	\$1,156	Offset the credit-debt	0.04%
0	RiTdisplay Corporation	Cashido Corporation	1	Accounts payables	\$7,819	Offset the credit-debt	0.15%
0	RiTdisplay Corporation	Cashido Corporation	1	Operating revenue	\$2,494	Offset the credit-debt	0.09%
0	RiTdisplay Corporation	Ritwin Corporation	1	Other receivable	\$100,736	Offset the credit-debt	1.90%
0	RiTdisplay Corporation	Welltech Energy Inc.	1	Other receivable	\$98,328	Offset the credit-debt	1.86%
0	RiTdisplay Corporation	Welltech Energy Inc.	1	Interest income	\$1,375	Offset the credit-debt	0.05%
1	Newrit Asset Co., Ltd.	Ritwin Corporation	3	Prepayments for business facilities	\$87,438	Offset the credit-debt	1.65%
1	Newrit Asset Co., Ltd.	Ritwin Corporation	3	Payable on machinery and equipment	\$81,810	Offset the credit-debt	1.55%
1	Newrit Asset Co., Ltd.	Ritwin Corporation	3	Rental revenue	\$5,811	Offset the credit-debt	0.21%
1	Newrit Asset Co., Ltd.	Welltech Energy Inc.	3	Rental revenue	\$1,260	Offset the credit-debt	0.05%
2	Cashido Corporation	RiTdisplay Corporation	2	Operating revenue	\$2,399	Offset the credit-debt	0.09%
2	Cashido Corporation	RiTdisplay Corporation	2	Other operating revenue	\$6,702	Offset the credit-debt	0.25%
3	Ritwin Corporation	Newrit Asset Co., Ltd.	3	Prepayments to suppliers	\$18,490	Offset the credit-debt	0.35%
4	Welltech Energy Inc.	Newrit Asset Co., Ltd.	3	Other payable	\$1,597	Offset the credit-debt	0.03%
4	Welltech Energy Inc.	Changzhou Shangyang Photoelectricity Co.,Ltd.	3	Other receivable	\$285,725	60 days after monthly closing	5.40%
5	Changzhou Shangyang Photoelectricity Co.,Ltd.	Welltech Energy Inc.	3	Operating revenue	\$838,582	60 days after monthly closing	30.90%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4 : The threshold of aforementioned amount is disclosed when transaction amount is over NT\$1,000 thousands.

All of the transactions have been written off when the consolidated financial statements are prepared.