

RITEK CORPORATION

Individual Financial Statements for the Years Ended
December 31, 2018 and 2017

Independent Auditors' Report

(Stock code 2349)

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RITEK CORPORATION

Individual Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report Contents

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Independent Auditor's Report

The Board of Directors and Shareholders:
RITEK Corporation

Opinion

We have audited the accompanying balance sheets of RITEK Corporation as of December 31, 2018 and 2017, and the related statements of comprehensive income, changes in stockholders' equity, cash flows and notes to individual financial statements (including the summary of significant accounting policies) for the period from January 1 to December 31, 2018 and 2017. These financial statements are the responsibility of the Company's management.

In our opinion, based on our audit results and audit reports of other independent auditors (please refer to other matters section), the individual financial statements referred to first paragraph present fairly, in all material respects, the financial position of RITEK Corporation as of December 31, 2018 and 2017, and the results of its financial performance and its cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were address in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. °

Impairment of non-financial assets

The amount of consolidated property, plant and equipment of RITEK Corporation was NT\$3,068,645 thousands as of December 31, 2018, accounting for around 21% of total assets.

Since RITEK Corporation and its subsidiaries had operation loss in 2018, showing that the assets may have impairment. With features of highly hypothesis and estimation of impairment over non-financial assets, we decide to take impairment of non-financial assets as key audit matter.

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

We also evaluate the disclosure of RITEK Corporation regarding the impairment loss of non-financial assets. Please refer to note 4 and 5 of individual financial statements.

Revenue recognition

RITEK Corporation recognized revenue NT\$4,994,319 thousands in 2018. The major sources of income were manufacturing and sales of disc and green energy products (solar power module/LED/ battery related products) such optical information services and products. The build to order was adopted for transactions. Different terms of transactions were involved due to industrial features and customer demands. Therefore, the judgment is required to determine performance obligations and the criteria of satisfaction. Accordingly, the identification of revenue recognition is the key audit matter.

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

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

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

The financial statements of some investees included in the individual financial statements of RITEK Corporation were audited by other certified public accountants. Therefore, in our opinions of preceding individual financial statements, the amounts listed in the financial statements of such investees were based on the audit reports of other CPAs. The investment on investees under equity method as of December 31, 2018 and 2017 were NT\$933,001,000 and NT\$759,753,000 respectively, accounting for 6% and 5% of total assets. The profit and loss of subsidiaries, affiliates and venture capital recognized under equity method in the period from January 1 to December 31, 2018 and 2017 were NT\$ 36,953,000 and NT\$ 96,935,000 respectively, accounting for 3% and 5 % of consolidated net loss before income tax. The other comprehensive income of subsidiaries, affiliates and venture capital recognized under equity method in the period from January 1 to December 31, 2018 and 2017 were NT\$ 34,887,000 and NT\$ 66,912,000 respectively, accounting for 26% and 21% of net other comprehensive income.

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

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

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

Those charged with governance of RITEK Corporation are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

also:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of RITEK Corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of RITEK Corporation to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause RITEK Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters

that were of most significance in the audit of the individual financial statements of RITEK Corporation for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Earnest & Young
Financial Report of Public Company as Approved by
Competent Authority
Audit File No.: (91)Tai-Tsai-Cheng (6) No. 144183
(93) Jing-Guan-Cheng VI No. 0930133943

Chang, Chi-Ming

CPA :

Hsu, Jung-Huang

March 29, 2019

RITEK CORPORATION
Balance Sheet
December 31, 2018 and December 31, 2017

Unit: NT\$1000

Assets			December 31, 2018		December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	VI.1	\$585,551	4	\$797,157	5
1110	Financial assets at fair value through profit or loss-current	VI.2	42,512	-	41,651	-
1136	Financial assets measured at amortized cost-current		53,674	-	-	-
1147	Debt instruments investment-Flow in non-active market-current	VI.6 and VIII	-	-	54,605	-
1150	Net notes receivable	VI.7 and VI.23	2,840	-	12,489	-
1170	Net accounts receivable	VI.8, VI.23 and VIII	608,428	4	557,543	4
1180	Net accounts receivable-related parties	VI.8, VI.23 and VII	781,368	5	264,365	2
1200	Other receivables	VI.23	12,680	-	21,499	-
1210	Other receivables-related parties	VII	5,938	-	7,816	-
130x	Inventory	VI.9	1,282,485	9	1,281,043	8
1410	Advance payment		12,810	-	32,070	-
1470	Other current assets	6.22 and 7	5,409	-	2,439	-
11xx	Total current assets		3,393,695	22	3,072,677	19
	Non-current assets					
1517	Financial assets at fair value through other comprehensive profit and loss-Non-current	VI.3 and VIII	67,496	-	-	-
1523	Available-for-sale financial assets-noncurrent	VI.4 and VIII	-	-	156,047	1
1550	Investments accounted for using equity method	VI.10 and VIII	8,118,881	54	8,634,253	55
1600	Property, plant and equipment	VI.11 and VIII	3,068,645	21	3,351,126	21
1760	Net investment property	VI.12 and VIII	53,600	-	56,598	-
1780	Intangible assets	VI.13	16,295	-	24,159	-
1840	Deferred tax assets	VI.28	60,414	1	218,541	2
1900	Other non-current assets	VI.14	44,675	-	56,271	-
1942	Long-term receivables-related parties	VII	276,630	2	289,761	2
1970	Other long-term investments		189	-	189	-
15xx	Total non-current assets		11,706,825	78	12,786,945	81
1xxx	Total assets		\$15,100,520	100	\$15,859,622	100

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

RITEK CORPORATION

Balance Sheet (continued)

December 31, 2018 and December 31, 2017

Unit: NT\$1000

Liabilities and Equity			December 31, 2018		December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	VI.15 and VIII	\$1,402,136	9	\$948,479	6
2110	Short-term notes and bills payable	VI.16	224,827	1	249,785	2
2120	Financial liabilities at fair value through profit or loss-current	VI.17	-	-	5,192	-
2150	Notes payable		64,484	-	69,048	-
2160	Notes payable-related parties	VII	234,044	2	262,771	2
2170	Accounts payable		454,916	3	539,787	3
2180	Accounts payable-related parties	VII	35,907	-	41,721	-
2200	Other payables	VII	701,959	5	426,299	3
2300	Other current liabilities	VI.22 and VII	117,650	1	167,566	1
2320	Long-term liabilities maturing within one year or one operating cycle	VI.18 and VIII	784,531	5	564,481	3
2355	Lease payable-current	VI.19 and VII	11,032	-	11,009	-
21xx	Total current liabilities		4,031,486	26	3,286,138	20
	Non-current liabilities					
2540	Long-term loans	VI.18 and VIII	1,663,669	11	1,907,714	12
2570	Deferred tax liabilities	VI.28	5,915	-	-	-
2613	Lease payable-noncurrent	VI.19 and VII	110,223	1	121,256	1
2640	Net defined benefit liabilities-noncurrent	VI.20	116,354	1	125,016	1
2670	Other non-current liabilities		3,123	-	2,654	-
25xx	Total non-current liabilities		1,899,284	13	2,156,640	14
2xxx	Total liabilities		5,930,770	39	5,442,778	34
	Owner's equity					
3100	Capital stock	VI.21				
3110	Common stock		12,841,579	85	17,667,921	111
3200	Capital surplus	VI.21	950,835	7	937,005	6
3300	Retained earnings	VI.21				
3350	Loss to be made up		(3,583,955)	(24)	(4,826,342)	(30)
3400	Other owner's equity		(1,038,709)	(7)	(932,826)	(6)
3500	Treasury shares	VI.21	-	-	(2,428,914)	(15)
3xxx	Total owner's equity		9,169,750	61	10,416,844	66
	Total liabilities and owner's equity		\$15,100,520	100	\$15,859,622	100

(Please refer to the notes to individual financial statements)

RITEK CORPORATION
Statement of Comprehensive Income
From January 1 to December 31 of 2018 and 2017

Unit: NT\$1000

Code	Accounts	Notes	The year of 2018		The year of 2017	
			Amount	%	Amount	%
4000	Operating income	VI.22 and VII	\$4,994,319	100	\$5,222,080	100
5000	Operating costs	VI.9, VI.25 and VII	5,105,590	102	5,687,017	109
5900	Operating gross loss		(111,271)	(2)	(464,937)	(9)
5920	Realized sales benefit (loss)		(31,777)	(1)	15,662	-
5950	Net operating gross loss		(143,048)	(3)	(449,275)	(9)
6000	Operating expenses	VI.25 and VII				
6100	Selling expenses		209,599	4	235,537	4
6200	General and administration expenses		133,737	3	132,195	2
6300	Research and development expenses		92,996	2	84,671	2
6450	Expected credit impairment benefits	VI.23	(12,331)	-	-	-
	Total operating expenses		424,001	9	452,403	8
6900	Operating loss		(567,049)	(12)	(901,678)	(17)
7000	Non-operating income and expenditure	VI.26				
7010	Other income	VI.24	48,715	1	58,819	1
7020	Other profit and loss		22,786	1	(85,329)	(1)
7050	Financial costs		(89,032)	(2)	(86,886)	(2)
7055	Expected credit impairment loss	VI.23	(10)	-	-	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI.10	(544,191)	(11)	(1,092,973)	(21)
	Total non-operating income and expenditure		(561,732)	(11)	(1,206,369)	(23)
7900	Net loss before tax		(1,128,781)	(23)	(2,108,047)	(40)
7950	Income tax expense	VI.28	(164,042)	(3)	(322,408)	(6)
8200	Net loss for the year		(1,292,823)	(26)	(2,430,455)	(46)
8300	Other comprehensive gain and loss	VI.27				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		(848)	-	(13,673)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive gain(loss)		(45,139)	(1)	-	-
8330	Share of other comprehensive gain(loss) of subsidiary, associates and joint ventures accounted for using equity method-items that will not be reclassified subsequently to profit or loss		(53,514)	(1)	(5,056)	-
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss		-	-	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8362	Unrealized gain(loss) on available-for-sale financial assets		-	-	(10,519)	-
8380	Share of other comprehensive gain(loss) of subsidiary, associates and joint ventures accounted for using equity method-items that may be reclassified subsequently to profit or loss	VI.10	(34,316)	(1)	(292,551)	(6)
8399	Income tax relating to the items that may be reclassified subsequently to profit or loss	VI.28	-	-	-	-
	Other comprehensive income for the year (net of income tax)		(133,817)	(3)	(321,799)	(6)
8500	Total comprehensive income for the year		<u>\$(1,426,640)</u>	<u>(29)</u>	<u>\$(2,752,254)</u>	<u>(52)</u>
	Loss per share (NT\$)	VI.29				
9750	Basic loss per share					
	Net loss for the year		<u>\$(1.01)</u>		<u>\$(1.92)</u>	

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

RITEK CORPORATION
Statements of changes in equity
From January 1 to December 31 of 2018 and 2017

Unit: NT\$1000

Item	Capital stock	Capital surplus	Loss to be covered	Other equity			Treasury shares	Total equity
				Exchange difference on translation of financial statements of foreign operations	Unrealized gains/losses on financial assets at fair value through other comprehensive income	Unrealized gains/losses on available-for-sale financial assets		
	3100	3200	3350	3410	3420	3425	3500	3XXX
Balance at January 1, 2017	\$17,667,921	\$894,545	\$(2,240,938)	\$(384,708)	\$-	\$(245,048)	\$(2,588,828)	\$13,102,944
Other changes in capital surplus								
Changes in associated and joint ventures accounted for using equity method	-	-	(275)	-	-	-	-	(275)
Net loss for the year ended December 31, 2017	-	-	(2,430,455)	-	-	-	-	(2,430,455)
Other comprehensive income/loss for the year ended December 31, 2017	-	-	(18,729)	(210,011)	-	(93,059)	-	(321,799)
Total comprehensive income/loss for the year ended December 31, 2017	-	-	(2,449,184)	(210,011)	-	(93,059)	-	(2,752,254)
Disposal of the parent company's shares by subsidiary, as treasury shares		(16,455)	(135,945)	-	-	-	159,914	7,514
Actual acquisition or disposal of shares in subsidiaries	-	114,052	-	-	-	-	-	114,052
Changes in equity to subsidiary	-	(55,137)	-	-	-	-	-	(55,137)
Balance at December 31, 2017	\$17,667,921	\$937,005	\$(4,826,342)	\$(594,719)	\$-	\$(338,107)	\$(2,428,914)	\$10,416,844
Balance at January 1, 2018	\$17,667,921	\$937,005	\$(4,826,342)	\$(594,719)	\$-	\$(338,107)	\$(2,428,914)	\$10,416,844
Effect of retrospective application and retrospective restatement	-	-	74,721	-	(413,638)	338,107	-	(810)
Balance at January 1, 2018 as restated	17,667,921	937,005	(4,751,621)	(594,719)	(413,638)	-	(2,428,914)	10,416,034
Other changes in capital surplus								
Changes in associated and joint ventures accounted for using equity method	-	-	(559)	-	-	-	-	(559)
Net loss for 2018	-	-	(1,292,823)	-	-	-	-	(1,292,823)
Other comprehensive income/loss for 2018	-	-	(441)	(34,316)	(99,060)	-	-	(133,817)
Total comprehensive income/loss for 2018	-	-	(1,293,264)	(34,316)	(99,060)	-	-	(1,426,640)
Capital reduction to cover losses	(4,826,342)	-	4,826,342	-	-	-	-	-
Disposal of the parent company's shares by subsidiary, as treasury shares	-	-	(2,261,829)	-	-	-	2,428,914	167,085
Actual acquisition or disposal of shares in subsidiaries	-	13,083	-	-	-	-	-	13,083
Changes in equity to subsidiary	-	747	-	-	-	-	-	747
Dispose of equity instruments measured at fair value through other comprehensive profit(loss)	-	-	(103,024)	-	103,024	-	-	-
Balance at December 31, 2018	\$12,841,579	\$950,835	\$(3,583,955)	\$(629,035)	\$(409,674)	\$-	\$-	\$9,169,750

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

RITEK CORPORATION
Statements of Cash Flow
From January 1 to December 31 of 2018 and 2017

Unit: NT\$1000

Item	2018	2017	Item	2018	2017
	Amount	Amount		Amount	Amount
Cash flow from operating activities:			Cash flow from investment activities:		
Net loss before income tax for this year	\$(1,128,781)	\$(2,108,047)	Dispose of financial assets at fair value through other comprehensive	\$31,924	\$-
Adjustments:			Disposal of financial assets at amortization cost	931	-
Items of gains, expenses and losses:			Acquisition of debt investments with no active market	-	(4,420)
Depreciation expenses and other losses	464,362	613,072	Acquisition of equity-method investments	(61,466)	(154,958)
Amortization expenses and other expenses	51,404	79,910	Cash returned of capital reduction of invested company accounted for using equity method	78,397	18,041
Interest expenses	89,032	86,886	Disposal of non-current available-for-sale assets	-	830,000
Interest revenue	(7,078)	(12,343)	Acquisition of real estate, plant and equipment	(186,389)	(163,477)
Dividend income	(4,600)	(1,933)	Disposal of real estate, plant and equipment	7,437	18,227
Share of loss/profit of subsidiaries, associates and joint ventures accounted for using equity method	544,191	1,092,973	Decrease of long-term receivables-related parties	13,131	194,173
Gain on disposal of scrapped real estate, plant and equipment and non-current assets to be sold	(16,092)	(17,028)	Increase of other non-current assets	(31,944)	(41,134)
Realized sales loss/profit	31,777	(15,662)	Dividends received	46,438	20,154
Changes in operating assets and liabilities:			Net cash inflow/outflow from investment activities	(101,541)	716,606
Increase of available-for-sale financial assets	-	(3,988)			
Increase of financial assets mandatorily measured at fair value through profit or loss	(6,053)	-			
Decrease/increase of notes receivable	9,649	(9,705)			
Decrease/increase of accounts receivable	(567,888)	300,122	Cash flow from financing activities:		
Decrease of other receivables	10,195	18,548	Increase in short-term borrowings	453,657	29,673
Decrease/increase of inventory	(1,442)	51,174	Increase/decrease in short-term bills payable	(24,958)	19,841
Decrease/increase of advance payment	19,260	(25,008)	Repayments of long-term borrowings	(23,995)	(773,176)
Increase of other current assets	(2,978)	(1,584)	Increase/decrease of other non-current liabilities	469	(4,560)
Decrease of notes payable	(33,291)	(43,993)	Net cash inflow/outflow from financing activities	405,173	(728,222)
Increase/decrease of accounts payable	(90,685)	38,889			
Increase/decrease of other payables	258,596	(30,893)	Decrease in cash and cash equivalents	(211,606)	(310,624)
Decrease of other current liabilities	(49,916)	(223,441)	Cash and cash equivalents at the beginning of the year	797,157	1,107,781
Decrease of net defined benefit liabilities	(9,510)	(10,452)	YEAR		
Cash outflow from operating activities	(439,848)	(222,503)	Cash and cash equivalents at the end of the year	\$585,551	\$797,157
Interest received	7,086	12,316			
Interest paid	(82,978)	(88,445)			
Income tax refunded/paid	502	(376)			
Net cash outflow from operating activities	(515,238)	(299,008)			

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

RITEK CORPORATION
Notes to Individual Financial Statements
January 1 to December 31, 2018
And January 1 to December 31, 2017
(Unless otherwise stated, the unit shall be in NT\$ 1,000)

I. Company History

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

II. Date and Procedure Passing the Financial Statements

Individual Financial Statements of 2018 and 2017 of the Company were passed and issued by the Board of Directors on March 29, 2019.

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

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

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

- (1) IFRS 15 “Revenue from Contracts with Customers” (including the interpretation to IFRS 15 “Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, and related interpretation and interpretation notice; the Company, in accordance with IFRS 15 interim provision, selects to recognize the cumulative effect number of the first application of this criterion on the first application day (namely January 1, 2018), and selects the retroactive application of the

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

contracts that have not been completed on January 1, 2018.

The Company and the Revenue from Contracts with Customers mainly include the sales of commodity, and relevant recognition influence of IFRS 15 to the Company's revenue is explained as below:

- A. The applicable accounting policy interpretations of the Company from January 1, 2018 and before January 1, 2018 refer to Note IV.
- B. Before January 1, 2018, the Company recognized the revenue of commodity sales in the delivery of the product; after January 1, 2018, according to IFRS 15, the above-mentioned revenue shall be recognized when the Company transfers the committed commodity to the client and meets the contract performance obligation, so the application of IFRS 15 has no influence to the recognition of commodity sales revenue of the Company; however, some contracts shall collect partial consideration in advance from the client when signing the contract, and the Company shall assume to provide the labor service afterwards; before January 1, 2018, the consideration collected in advance was recognized as other current liability; while after January 1, 2018, according to IFRS 15, it shall be recognized as the contract liability. Comparing to the application of IAS 18, the above-mentioned difference has no great influence to other current liability and contract liability of December 31, 2018.
- C. In accordance with IFRS 15, the newly added note disclosures refer to Note IV, Note V and Note VI.

(2) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39; the Company, in accordance with IFRS 9 interim provision, selects to not recompile the comparison period on the first application day (namely January 1, 2018). The influence of adopting IFRS 9 is explained as below:

- A. It adopts IFRS 9 from January 1, 2018, and it adopted IAS 39 before January 1, 2018; the accounting policy interpretation refers to Note IV.
- B. In accordance with IFRS 9 interim provision, it shall evaluate the business pattern based on the existing fact and condition on January 1, 2018, and

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classify the financial assets to proper category according to IFRS 9; the classification and book amount of financial assets on January 1, 2018 are listed as below:

IAS 39		IFRS 9	
Measurement type	Book amount	Measurement type	Book amount
Measurement at fair value through the profit or loss	\$41,651	Measurement at fair value through the profit or loss	\$41,651
Measurement at fair value through other comprehensive profit or loss		Measurement at fair value through other comprehensive profit or loss	156,047
Financial assets available for sale	156,047		
Measurement of amortized cost		Measurement of amortized cost	1,713,971
Loans and receivables (including the cash and cash equivalent, bill receivable, account receivable, debt instrument investment without active market and other receivables)	1,713,971	(including the cash and cash equivalent, bill receivable, account receivable, financial assets and other receivable measured at amortized cost)	
Total	<u>\$1,911,669</u>	Total	<u>\$1,911,669</u>

C. When transferring from IAS 39 to IFRS 9 on January 1, 2018, the further information related to the classification change of financial assets and financial liabilities is as below:

IAS 39		IFRS 9		Difference	Retained earnings adjustment	Other equity adjustment	Non-controlling equity adjustment
Accounting item	Book amount	Accounting item	Book amount				
Financial assets measured at fair value through the profit or loss (Note 1)							
Held for trading	\$41,651	Measurement at fair value through the profit or loss	\$41,651	\$-	\$-	\$-	\$-
Financial assets available for sale (Note 2)	156,047	Measurement at fair value through other comprehensive profit or loss (equity instrument)	156,047	-	-	-	-
Subtotal	<u>197,698</u>						
Loans and receivables (Note 3)							
Cash and cash equivalent	795,654	Cash and cash equivalent	795,654	-	-	-	-
Debt instrument investment without active market	54,605	Financial assets measured at amortized cost	54,605	-	-	-	-
Bill receivable	12,489	Bill receivable	12,489	-	-	-	-
Account receivable (including the interested party)	821,908	Account receivable (including the interested party)	821,908	-	-	-	-
Other receivables (including the interested party)	29,315	Other receivables (including the interested party)	29,315	-	-	-	-
Subtotal	<u>1,713,971</u>						
Total	<u>\$1,911,669</u>	Total	<u>\$1,911,669</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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

Note:

1. According to IAS 39, the financial assets held for trading classified as the financial assets measured by fair value through the profit or loss, include the fund investment. Since the flow characteristics of fund cash are not entirely for the payment of principal and the interest of outstanding principal amount; according to IFRS 9, if the financial assets are mandatory to be measured at the fair value through the profit or loss, the reclassification of financial assets mentioned above does not cause the book value difference.
2. According to IAS 39, it is classified as the investment of financial assets available for sale, including the stock of listed companies and stock of unlisted companies. Relevant information of classification changes is as follows:

- a. Stock investment (including the stock of listed and unlisted companies)

Assessing based on the existing facts and conditions of January 1, 2018, since such stock investment (which belongs to the equity instrument) is not the investment held for trading, so the investment shall be classified as the financial assets measured by fair value through other comprehensive profit or loss. On the first application date, it shall be reclassified from the financial assets available for sale to the financial assets measured by fair value through other comprehensive profit or loss in the amount of NT\$ 156,047,000. Other relevant information is as follows.

- (a) The stock of listed and unlisted companies of NT\$156,047,000 measured by fair value does not cause any book amount difference. On the first application date, except to be reclassified to be measured by fair value through other comprehensive profit or loss, only the accounting items in other rights and interests shall be reclassified.

3. In accordance with IAS 39, if the Company is classified as the financial assets held to maturity or the loans and receivables, its cash flow characteristic completely conforms to the payment of the principal and interest of the outstanding principal. Assessing based on the existing facts

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and conditions of January 1, 2018, since the business pattern belongs to the collection of contract cash flow, which comply with the provision of measurement at amortized cost; in addition, on January 1, 2018, the above-mentioned assets received the impairment assessment according to IFRS 9 and caused no difference, so the book amount was not affected on January 1, 2018, and only the debt instrument investment without active market of NT\$ 54,605,000 shall be reclassified as the financial assets measured by amortized cost.

D. Relevant note disclosure according to IFRS 7 and IFRS 9 shall refer to Note IV, Note V, Note VI and Note XII.

(3) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

When Paragraph 21 and 22 of IAS 21 "Effects of Changes in Foreign Exchange Rates" are applicable, this interpretation specifies to determine the used exchange rate in the original recognition of relevant assets, expenses and losses or profits (or partial), and the original recognition day of non-monetary assets or non-monetary liability generated when the enterprise pays or charges the consideration in advance on the trading day. If there are several advance payments or collections, the enterprise shall determine the trading day of each payment or charge of the advance consideration.

The original foreign currency sales transactions of the Company adopt the exchange rate of trading day recognizing the sales revenue day, to convert into its functional currency records, and recognize as the exchanged profit or loss when writing off the foreign currency advance payment. The Company selects to postpone the application of this interpretation from January 1, 2018, and this accounting principle change does not significantly affect the Company's recognition and measurement.

(4) Disclosure proposal (amendment to IAS 7 “Statement of Cash Flows”)

Financial activities of the Company related to the liabilities shall increase the regulation information from the beginning to the end of the period, and relevant

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disclosure refers to Note XII.

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

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	IFRS 16 “Leases”	January 1, 2019
2	IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
3	Amendment to IAS 28 “Investments in Associates and Joint Ventures”	January 1, 2019
4	With the characteristic of prepayment of negative compensation (amendment to IFRS 9)	January 1, 2019
5	2015-2017 IFRS improvements	January 1, 2019
6	Plan revision, reduction or liquidation (amendment to IAS 19)	January 1, 2019

(1) IFRS 16 “Leases”

This new criterion requires the lessee to comply with and select the short-term lease or low-value target asset lease, and also adopt the single accounting mode for all the leases, namely to recognize the right-of-use asset and lease liability on the balance sheet, and recognize the lease related depreciation expense and interest charges in the consolidated profit and loss statement. In addition, the lessor leases are still classified as the operating lease and financial lease, but shall provide more disclosure information.

(2) IFRIC 23 “Uncertainty over Income Tax Treatments”

This interpretation specifies that, when there is the uncertainty over income tax treatments, how to apply the recognition and measurement provision of IAS 12 “Income Tax”.

(3) Amendment to IAS 28 “Investments in Associates and Joint Ventures”

This amendment clarifies that partial long-term equity constituting the net investment in the affiliate or joint venture of the enterprise shall apply to IFRS 9

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prior to the application of IAS 28, and shall apply to IFRS 9 without regard to any adjustment arising from the application of IAS 28.

- (4) With the characteristic of prepayment of negative compensation (amendment to IFRS 9)

This amendment allows the financial assets with the characteristic of prepayment (allowing one party to terminate the contract early by paying or receiving reasonable compensation) to be measured by amortized cost or at fair value through other comprehensive profit or loss.

- (5) 2015-2017 IFRS improvements

IFRS 3 “Business Combinations”

This amendment clarifies that the enterprise which has joint control over the joint operation shall, upon gaining the control of the business, reassess its prior interest in the joint operation.

IFRS 11 “Joint Arrangements”

This amendment clarifies that the enterprise which involves in the joint operation but has no joint control shall, upon gaining the joint control of the business, not reassess its prior interest in the joint operation.

IAS 12 “Income Tax”

This amendment clarifies that the enterprise shall recognize the income tax consequences of dividends at the same place in respect of past transactions or events previously recognized as the profit or loss or other consolidated gains or interests.

IAS 23 “Borrowing Cost”

This amendment clarifies that the enterprise shall, when the assets are available for its intended use or sale, handle the loan specifically for the purpose of acquiring the assets in the form of general loans.

- (6) Plan revision, reduction or liquidation (amendment to IAS 19)

This amendment clarifies that when determining the changes to benefit plan (e.g. revision, reduction or liquidation, etc.), the enterprise should use the updated assumption to remeasure its net identified benefit liabilities or assets.

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The above is the newly issued, revised and amended criteria or interpretations issued by IASB, approved by FSC, and applied from January 1, 2019. Except for the foregoing (1) influence assessed by the Company and described below, the newly issued or revised criteria or interpretations shall have no significant impact on the Company.

(1) IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "To determine whether the arrangement includes leasing", IFRIC 15 "Operating lease: incentive", and IFRIC 27 "Assessment of transaction essence involving the legal form of leases. The impact of IFRS 16 on the Company is as follows:

- A. For the definition of lease, the Company applies IFRS 16 interim provision, and select no need to reassess whether the contract belongs to (or contains) leasing on the first application day (namely January 1, 2019). If the Company had identified as leasing contract previously when applying IAS 17 and IFRIC 4, it shall be applicable to IFRS 16; in addition, if identified as not including the lease contract previously when applying IAS 17 and IFRIC 4, it shall not be applicable to IFRS 16.

If the Company is the lessee, it applies IFRS 16 interim provision, choosing not to recompile the comparative information, and recognizing the cumulative impact of the initial application on January 1, 2019, as the initial application date to retain the surplus (or other components of the equity, if applicable) beginning balance adjustment.

(a) Classified as the operating lease

The Company is expected that when applying IAS 17 on January 1, 2019, the lease classified as operating lease shall be measured and recognized as the lease liabilities according to the present value of the remaining lease payment (discounted in the increased loan interest rate of the lessee on January 1, 2019); in addition, on the basis of individual leases, it shall select one of the following amounts to measure and recognize the right-of-use assets:

- i. Book amount of the right-of-use assets, as if applicable to IFRS 16 from the beginning day, but discounted in the increased loan interest rate of the lessee on January 1, 2019; or

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Notes to Individual Financial Statements (Continued)
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- ii. Lease liability amount, but this amount shall be adjusted for all prepaid or payable lease payments relating to the lease (those recognized in the balance sheet before January 1, 2019).

The above application of IFRS 16 has no significant impact on the right-of-use asset and lease liability of the Company on January 1, 2019.

(b) Classified as the financial lease

The Company is expected that when applying IAS 17 on January 1, 2019, the lease classified as financial lease, which is the lease asset of NT\$118,520,000 and the lease payable of NT\$121,255,000 as measured by IAS 17 before that date, shall be reclassified to the right-of-use asset of NT\$ 118,520,000 and lease liability of NT\$ 121,255,000.

B. Newly increasing relevant note disclosure according to IFRS 16 Lessee and Leaser.

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

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – asset sale or investment between the investor and its affiliates or joint ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	January 1, 2021
3	Definition of business (amendment to IFRS 3)	January 1, 2020
4	Significant definition (amendment to IAS 1 and 8)	January 1, 2020

- (1) Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – asset sale or investment between the investor and its affiliates or joint ventures

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

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

(2) IFRS 17 "Insurance Contracts"

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

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

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

In addition to the general model, it also provides:

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

(3) Definition of business (amendment to IFRS 3)

This amendment clarifies the business definition in IFRS 3 "Business Combinations", helps the enterprise to identify the trade is handled in accordance with the Business Combinations, or is handled in accordance with the assets gaining method. IFRS 3 continuously adopts the angle of market participants to determine whether the gained events or portfolio are the business, including to specify the minimum business requirements, increase, guide, and assist the enterprises in whether the assessment process is substantial, and reduce the definition for business and output.

(4) Significant definition (amendment to IAS 1 and 8)

Mainly redefined significant information includes: if some items get omitted, misstated or fuzzy in reasonable expectations, it shall affect the main users of general-purpose financial statements to make decisions on the basis of the financial statements. This revision clarifies the materiality will depend on the nature or size of the information, and the enterprise shall determine whether the information is important in the financial statements individually or with other information. If reasonable expectations affect the main users, the misrepresented information is important.

The actual applicable date of above criteria or interpretations issued by IASB but not approved by FSC, shall be subject to FSC regulation; in addition to the potential impact of the current assessment (1) and (4) of newly released or revised criteria or interpretations, the Company temporarily is unable to reasonably estimate the influence of foregoing criteria or interpretations to the Company, and the rest newly issued or revised criteria or interpretations has no significant impact to the Company.

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Notes to Individual Financial Statements (Continued)
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IV. Summary Statement of Major Accounting Policies

1. Compliance declaration

Individual Financial Statements of 2018 and 2017 of the Company are prepared in accordance with Security Issuer Financial Reporting Standards and effective IFRS, IAS, and IFRIC issued and approved by FSC.

2. Preparation basis

The Company prepares the Individual Financial Statements in accordance with the Security Issuer Financial Reporting Standards. According to Article 21 of Security Issuer Financial Reporting Standards, the current profit or loss and other comprehensive profit or loss of the Individual Financial Statements and the current profit or loss and other comprehensive profit or loss of the Consolidated Financial Statements, which belong to the apportionment amount shared by the owner of the parent company, shall be the same. In addition, the owner's equity of Individual Financial Statements shall be the same as that of the parent company in the Consolidated Financial Statements. Therefore, the investment to subsidiaries in Individual Financial Statements is expressed as "investment in equity method" and will make necessary evaluation and adjustment.

Financial Instruments in the individual financial statements, as measured by fair value, are prepared at historical cost. Individual financial statements are in the unit of NT\$ 1,000, unless otherwise noted.

3. Foreign currency transaction

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

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

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

measuring the foreign currency non-monetary items at the historical cost, it shall be converted at the exchange rate of original trading day.

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

- (1) For the borrowing in foreign currencies incurred to acquire the required assets, if the exchange difference incurred for the borrowing is deemed as the adjustment of interest cost, it shall be part of the Borrowing Cost and capitalized as the asset cost.
- (2) The foreign currency item applicable to IFRS 9 "Financial Instruments" (before January 1, 2018, IAS 39) shall be treated according to the accounting policy of Financial Instruments.
- (3) For the monetary item as part of the net investment in foreign operating institutes by the reporting entity, the exchange difference generated is initially recognized as other comprehensive profit or loss, and when disposing the net investment, it shall be reclassified from the equity to the profit or loss.

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

4. Conversion of financial statements in foreign currency

The assets and liabilities of every foreign operating institute of the Company shall be converted into NT\$ at the closing exchange rate of the balance sheet day, and the income and fee loss item shall be converted at the current average exchange rate. The exchange difference due to the conversion shall be recognized as other comprehensive profit or loss, and when disposing the foreign operating institute, those previously recognized as other comprehensive profit or loss shall be

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Notes to Individual Financial Statements (Continued)

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

accumulated in the equity to form the separate part of the accumulated exchange difference; in the case of the recognition and disposal of the profit or loss, it shall be reclassified from the equity to the profit or loss. When involving in the partial disposal including the loss of control of the subsidiary of the foreign operating institute, and after the partial disposal including the affiliated enterprises or joint arrangements' equity of the foreign operating institute, if the reserved equity are the financial assets of the foreign operating institute, the disposal shall also apply.

If the partial disposal is handled without loss of control including the subsidiaries of foreign operating institute, the accumulated exchange difference recognized in other comprehensive profit or loss shall be recognized to the non-controlling equity of the foreign operating institute in proportion, and shall not be recognized as the profit or loss; under the circumstances that no significant influence is lost or under the joint control, when the partial disposition includes the affiliated enterprises or joint arrangements of the foreign operating institute, the accumulated exchange difference shall be reclassified to the profit or loss in proportion.

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

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

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

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

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Notes to Individual Financial Statements (Continued)

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

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

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

6. Cash and cash equivalent

The cash and cash equivalent are the stock cash, current deposit, and fixed deposit or investment that can be converted into fixed cash at any time, with little risk of value change, in short term, and with highly liquidity (including the fixed deposit within 12 months during the contract period).

7. Financial instruments

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

The financial assets and financial liabilities conforming to the applicable scope of IFRS 9 “Financial Instruments” (before January 1, 2018, IAS 39), shall be measured at the fair value in the original recognition; if directly belonging to the financial assets and financial liabilities (except for classified as the financial assets and financial liabilities measured at fair value through profit or loss) acquired or issued transaction cost, it shall be added or deducted from the fair value of financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

Accounting treatments after January 1, 2018 are as below:

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

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

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

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

Financial assets measured at amortized cost

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

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

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

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

- A. For financial assets of acquired or created credit impairment, multiplying the

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Notes to Individual Financial Statements (Continued)

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effective interest rate of credit after adjustment by the amortized cost of financial assets

- B. If not the former, but becoming the credit impairment later, multiplying the effective interest rate by the amortized cost of financial assets

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

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

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

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

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

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effective interest rate by the amortized cost of financial assets

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

Financial assets measured at fair value through profit or loss

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

Such financial assets shall be measured at fair value, and the profit or loss generated by remeasurement shall be recognized as the profit or loss. Such recognition as the profit or loss shall include any dividends or interest received by such financial assets.

Accounting treatments before January 1, 2018 are as below:

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

The financial assets of the Company are classified into three categories: financial assets measured at fair value through profit or loss, financial assets available for sale, loans and receivables. This classification is determined by the nature and purpose of financial assets when originally recognized.

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

Financial assets measured at fair value through profit or loss

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

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

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

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

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

Such financial assets shall be measured at fair value, and the profit or loss generated by remeasurement shall be recognized as the profit or loss. Such recognition shall be the profit or loss including any dividends or interest received by such financial assets (including those received by investment in the current year).

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For such financial assets, if there is no open quotation in the active market and the fair value cannot be measured reliably, the amount after deducting the impairment loss will be measured at the end of the reporting period, and listed on the balance sheet in the financial assets measured at the cost.

Financial assets available for sale

Financial assets available for sale is the non-derivative financial assets, and is designated as the financial assets for sale, or not classified as the financial assets measured at fair value through profit or loss, held to maturity, investment or loan and receivables.

Part of the exchange difference in the change of book amount of monetary financial assets available for sale, the interest revenue of financial assets available for sale calculated in effective interest method and the dividend revenue of equity investment available for sale, are recognized in the profit or loss. The change of book amount of other financial assets available for sale shall be recognized under the equity item before the derecognition of the investment; when derecognizing, the accumulated amount previously recognized under the equity item shall be reclassified to the profit or loss.

For the equity instrument investment, if there is no open quotation in the active market and the fair value cannot be measured reliably, it will be measured by the amount after deducting the impairment loss at the end of the reporting period, listed on the balance sheet in the financial assets measured at cost.

Loans and receivables

Loans and receivables refer to the financial assets that are not quoted publicly in the active market and the non-derivative financial assets with the fixed or determinable amounts of collection, subject to the following conditions: the holder may not recover nearly all of the original investment due to factors other than not classified as measured at fair value through profit or loss, not designated as available for sale, and not subject to the credit deterioration.

Such financial assets are separately expressed in the balance sheet in the receivables and investment in debt instruments without active market. After the original measurement, the effective interest rate method is adopted to measure

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the amortized costs deducting the impairment. The calculation of amortized costs takes into account the discount or premium when acquiring and the transaction costs. Amortization under the effective interest rate method is recognized as the profit and loss.

(2) Impairment of financial assets

Accounting treatments after January 1, 2018 are as below:

The Company measures the investment in debt instrument at fair value through other comprehensive profit or loss, and the financial assets at amortized cost, to recognize by the expected credit loss and measure the allowance for loss. The debt instrument investment measured at fair value through other comprehensive profit or loss is to recognize the allowance for loss in other comprehensive profit or loss and not reduce the investment book amount.

The Company measures the expected credit losses in the following ways:

- A. Unbiased and probability-weighted amounts determined by evaluating the possible outcomes
- B. Time value of money
- C. Reasonable and verifiable information relating to past events, current situation and forecast of future economic conditions (available on balance sheet date without excessive cost or input)

The method to measure the loss allowance is described as follows:

- A. Measured at 12 months forecast credit losses: including the financial assets of credit risk not significantly increased from the original recognition, or determined as the low credit risk in the balance sheet day. In addition, also including the allowance for loss measured at the expected credit loss of the duration of the previous reporting period, but no longer meet the requirement after the balance sheet day for the significant increase of credit risk after the original recognition.
- B. Measurement of the amount of expected credit loss during the term of existence: including the financial assets, whose credit risk has increased significantly since the original recognition, or the financial assets of acquired

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or created credit impairment.

- C. For the account receivable or contract assets generated by the exchange within the scope of IFRS 15, the Company adopts the amount of expected credit losses during the duration of the existence period to measure the allowance for losses.

On each balance sheet day, the Company shall compare the default risk changes of financial instruments on the balance sheet day with the original recognition day, to assess whether the credit risk of financial instruments has increased significantly after the original recognition. In addition, the information related to credit risk shall refer to Note XII.

Accounting treatments before January 1, 2018 are as below:

Except to measure the financial assets at fair value through profit or loss, other financial assets are evaluated and impaired on the end of each reporting period; when there is objective evidence that the financial assets are estimated to suffer losses due to single or multiple loss items after the original recognition of financial assets and cause the financial assets impairment. The financial assets' book amount is deducted directly from the book amount, except that the receivables are deducted by the allowance account, and the loss is recognized as the profit or loss.

The fair value of equity investment available for sale is considered as the loss item when it is lower than the cost and there is significant or permanent decrease.

Other loss items of financial assets may include:

- A. The issuer or the other party of the transaction has major financial difficulties; or
- B. Breach of contract, such as the delay or non-payment of interest or principal; or
- C. The debtor is likely to go bankrupt or undergo other financial restructuring; or
- D. The active market of financial assets disappears due to the issuer's financial

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difficulties.

For the loans and receivables, the Company shall firstly individually assess whether there is the objective impairment evidence of significant individual financial assets, and the non-significant financial assets shall take the group assessment. If there is no objective impairment evidence in the individual assessment of financial assets, whether it is significant or not, the financial assets with similar credit risk characteristics shall be classified into one group, and make the impairment assessment in group. If there is the objective impairment evidence, the loss measurement system is determined by the difference between the assets' book amount and estimated value of future cash flow. The estimated value of future cash flow is discounted in accordance with the original effective interest of the assets; if the loan adopts the floating interest rate, the impairment loss discount rate for the measurement is the current effective interest rate. Interest revenue is based on the reduced asset book amount, and estimated and listed continuously according to the cash flow discount rate adopted to calculate the impairment loss.

When the accounts receivable is not expected to be collected in the future, the accounts receivable and related allowance should be offset. In the subsequent years after recognized the impairment loss, if the estimated amount of impairment loss is increased or decreased for any incident, it shall adjust the allowance to increase or reduce the previously recognized impairment losses. If recovered after offsetting, this recovery shall be recognized in the profit or loss.

For the equity instrument classified as available for sale, the amount of impairment recognition is based on the accumulated loss measured by the difference between the acquired cost and the current fair value, which deducts the previously recognized loss measurement in the profit or loss, and is reclassified to the profit or loss under the equity. The impairment loss of equity investment shall not be returned through the profit or loss; the fair value increasing after the impairment shall be recognized in the equity directly.

(3) Derecognition of financial assets

The financial assets held by the Company shall be derecognized if:

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- A. The equity from the cash flow contract of financial assets terminates.
- B. Financial assets have been transferred and almost all the risks and rewards of the asset ownership have been transferred to others.
- C. The assets have neither transferred nor retained almost all the risks and rewards of the ownership, but the control of the assets has transferred.

When financial assets are derecognized as a whole, the difference between the book amount and the total accumulated profit or loss that has been collected or may be collected and recognized in other comprehensive profit or loss shall be recognized as the profit or loss.

(4) Financial liability and equity instrument

Classification of liability or equity

The liabilities and equity instruments issued by the Company are classified as the financial liability or equity according to the substance of the contract and the definition of financial liabilities and equity instruments.

Equity instrument

The equity instrument means any contract in recognition of the Company's remaining equity after all liabilities have been deducted from the assets of the Company.

Financial liabilities

Financial liabilities within the scope of IFRS 9 (before January 1, 2018, IAS 39) are classified as the financial liabilities measured at fair value through profit or loss or the financial liabilities measured at amortized cost at the time of original recognition.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit and loss, include the

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financial liabilities held for trading and specified financial liabilities measured at fair value through profit and loss.

When one of the following conditions is met, it is classified as held for trading:

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

For containing one or more embedded derivative contracts, the integral mixed (combined) contract can be specified as the financial liabilities measured at fair value by profit or loss; when more relevant information can be provided by conforming to one of the following factors, it is specified as measured at fair value through profit or loss in the original recognition:

- A. The designation may be eliminated or substantially reduced in measurement or recognized inconsistently; or
- B. A set of financial assets, financial liabilities or both, are managed and evaluated on the fair value basis, in accordance with the written risk management or investment strategy, and the information on the investment portfolio is provided to the management of the incorporated company, also on the fair value basis.

The profit or loss arising from the remeasurement of such financial liability shall be recognized as the profit or loss, which includes any interest paid on the financial liability.

Before January 1, 2018, if there was no open quotation in the active market and the fair value of such financial liabilities could not be reliably measured, the financial liabilities shall be measured at cost on the end of the reporting period and presented on the balance sheet.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include the payables and loans, which are recognized initially and then measured by the effective interest rate method. When the financial liabilities are derecognized and amortized through the effective interest rate method, the relevant profit and loss and amortization

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are recognized as the profit or loss.

The calculation of amortized costs takes into account the discount or premium obtained and transaction cost.

Derecognition of financial liabilities

When the obligation of financial liabilities is relieved, cancelled or invalid, it shall derecognize the financial liabilities.

When the Company and creditors exchange the debt instrument in the significant difference terms, or change all or part of the existing financial liabilities terms and conditions (whether due to financial difficulties or not), to derecognize the original liability and recognize new liability, the difference between the book amount and the paid or payable total price (including the transfer of non-cash assets or assumption of liabilities) shall be recognized in the profit or loss.

(5) Offset of financial asset and liability

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

8. Derivative instruments

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

The original recognition of derivative instrument is measured at the fair value on the date of signing the derivative contract, and measured at the fair value later. When the derivative instrument's fair value is positive, it is the financial asset; when the derivative instrument's fair value is negative, it is the financial liability. Fair value change of derivative instrument shall be directly recognized as the profit or loss,

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unless it involves the cash flow hedging or net investment hedging of foreign operating institutes, which is the effective part, it is recognized under the equity.

Before January 1, 2018, when embedded in the main contract, the economic characteristics and risks of the derivative instruments are not closely related with the main contract, and the main contract is not held for trading or specified to be measured at fair value through profit or loss, the embedded derivative instruments shall be regarded as the independent derivative instrument for processing. However, since January 1, 2018, the above rules are still applicable to the main contract of financial liabilities or non-financial assets.

9. Fair value measurement

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

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

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

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

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

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

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10. Inventory

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

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

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

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

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

11. Investment by equity method

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

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comprehensive profit or loss share of subsidiary, affiliated enterprises and joint venture by equity method".

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

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

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

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

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

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

The Company shall, at the end of each reporting period, confirm whether there is objective evidence of impairment from the investment to affiliated enterprises or joint ventures pursuant to IAS 28 "Investments in Associates and Joint Ventures" (before January 1, 2018, IAS 39). If there is objective evidence of impairment, the Company shall calculate the amount of impairment based on the difference between the recoverable amount and the book amount of the affiliated enterprise or joint venture in accordance with IAS 36 "Asset Impairment", and recognize the amount in the profit or loss of the affiliated enterprise or joint venture. If the investment use value is adopted for the aforementioned recoverable amount, the Company shall determine relevant use value based on the following estimation:

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

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

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

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

12. Property, plant and equipment

Property, plant and equipment are recognized based on the acquisition cost, and listed after deducting the accumulative depreciation and accumulative impairment; these costs include the property, plant and equipment disassembly, removal, and recovery cost in the location and the interest necessary to indemnify for the construction in process. If the constitution of property, plant and equipment is significant, it shall separately list the depreciation. When the main items of property, plant and equipment shall be reset on the regular basis, the Company shall deem the item as individual asset and recognize in accordance with the specific durable years and depreciation method respectively. The book amount of the reset part shall be derecognized according to IAS 16 "Property, plant and equipment". If the major maintenance costs meet the recognition conditions, it shall be deemed as the replacement costs and shall be recognized as part of the plant and equipment book amount, and other repair and maintenance expenses shall be recognized as the profit or loss.

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

Buildings and structures	10~45 years
Machinery equipment	5~11 years
Transportation equipment	5~8 years
Office equipment	3~8 years
Miscellaneous equipment	3~11 years
Leased asset	3~10 years

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

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

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13. Investment property

Investment property is measured at original cost and includes the trading cost to obtain the asset. The investment property's book amount includes the cost to repair or add the existing investment property when the cost reaches the recognition conditions, but the ordinary routine maintenance costs are not as part of the cost. After the original recognition, the investment property measurement adopts the cost model, it shall dispose in accordance with IAS 16 "Property, plant and equipment", except classified as to be sold (or included in the classification of disposal groups to be sold) according to IFRS 5 "Non-current assets to be sold and closed units".

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

Buildings	10~45 years (main structure of the building of 45 years, decoration of 10~15 years)
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In case of disposal or permanent disuse of investment property and not expected to generate the future economic benefits from disposal, it shall be derecognized and the profit or loss shall be recognized.

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

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

14. Lease

The Company as the lessee

The financial lease is to transfer almost all the risks and rewards related to the

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ownership of lease target to the Company, and on the lease beginning day, to capitalize the lower one in the lease assets fair value or the minimum lease payment of the present value. Rent payment is apportioned to the cost of financing and leasing liability reduced amount, in which, the financing cost is determined by the remaining liability balance according to the fixed interest rate, and recognized in the profit or loss.

The leased asset is depreciated on the basis of the durable years of the asset, provided that if it is not reasonably possible to determine that the Company will acquire the ownership of the asset at the end of the lease term, the depreciation is recognized on the basis of the shorter one in the estimated durable years and the lease term of the asset.

The lease payment of operating lease shall be recognized as the expense during the lease term in the straight-line method.

The Company as the leaser

The lease in which the Company does not transfer the ownership of the subject matter of the lease to another party shall be classified as the operating lease. The original direct cost incurred by the operating lease is added as the book amount of the leased asset, and is recognized in the lease period on the same basis as the rental revenue. The rental revenue generated in the operating lease is recognised on the straight-line basis according to the lease period. Contingent rent is recognised as the revenue during the rental period.

15. Intangible asset

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

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

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

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

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

Patent right

Patent rights are the rights legally acquired and purchased.

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

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

16. Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there are signs of impairment in all assets applicable to IAS 36 "Asset impairment". Where there is

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evidence of impairment or the impairment test of any asset is required on the annual basis, the Company will conduct the test on the individual asset or on the cash generating unit to which the asset belongs. Impairment losses are recognized if the book amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount. The recoverable amount is the higher one of the net fair value or the use value.

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

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

17. Treasury stock

The acquisition of the Company's stock (treasury stock) by the Company and its subsidiaries shall be recognized at the cost of acquisition and as the deduction of the equity. The traded spread of treasury stock is recognized in the equity.

18. Revenue recognition

Accounting treatments after January 1, 2018 are as below:

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

Sales of goods

The Company manufactures and sells goods, and recognizes the revenue when transporting the goods to the client and the client has its control (namely, the client leads the use of the goods and acquires almost all of the remaining benefit capacity

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of the goods); the main products are the optical information service products as CD and green product (solar module/LED/battery related products), and the revenue is recognized based on the contract stated price.

The trading credit period of the Company's sales of goods is 30 days to 150 days; in most of the contracts, when the goods transfers the control and with the unconditional right in the consideration charge, it shall recognize the account receivable, which usually has no significant financial component during the short term. In some other part of the sales of goods, the Company firstly collects the consideration from the client, and undertake the obligation to transfer the goods, so it is recognized as the contract liabilities.

The transfer of the Company's previous contract liabilities to the revenue is generally less than one year, and does not result in any significant financial component.

Accounting treatments before January 1, 2018 are as below:

Revenue shall be recognized when the economic benefit is likely to flow into the Company and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The conditions and methods of each revenue recognition are listed as follows:

Sales of goods

Revenue from sales of goods shall be recognized when complying with all the following conditions: the major ownership risks and rewards of the goods have been transferred to the purchaser, there shall be no continued participation in the management of sold goods nor maintaining the effective control, revenue amount can be reliably measured, and trade related economic benefits are likely to flow into the enterprise, and the costs associated with the trade can be measured reliably.

Interest revenue

For the financial assets measured by the amortized cost (including the loans and receivables and financial assets held to maturity) and financial assets available for sale, the interest revenue is estimated by the effective interest rate method, and the

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interest revenue is recognized as the profit or loss.

Dividend revenue

When the Company has the right to collect the dividend, it shall recognize the dividend revenue.

19. Borrowing cost

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

20. Retirement benefit plan

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

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

For the retirement benefit plan of defined benefit plan, it shall be listed according to the actuarial report in the end day of the annual report period on the basis of unit welfare law. Net defined benefit liabilities (assets) remeasured amount includes any change in the planned asset rewards and asset upper limit influence number, and deducting the net interest amount contained in the net defined benefit liabilities (assets), as well as the actuarial profit or loss. When the net defined benefit liabilities (assets) remeasurement amount occurs, it shall be listed in other comprehensive profit or loss, and recognized in the reserved surplus. The present

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value change of defined benefit obligation resulting from the plan modification or reduction of early service cost, shall be recognised as the expense on the earlier date of either:

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

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

21. Income tax

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

Current income tax

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

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

Deferred income tax

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

RITEK CORPORATION

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

amount on the balance sheet.

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

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

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

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

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

Deferred income tax assets and liabilities shall have the statutory enforcement

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

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

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

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

1. Judgment

No.

2. Estimate and assumption

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

(1) Impairment of non-financial assets

When the book amount of asset or cash generating unit is greater than its recoverable amount, the impairment occurs. Recoverable amount refers to the fair value deducting the disposal cost and use value, whichever is higher. The calculation of the fair value minus the disposal cost is based on the price that the market participants can collect or transfer the liability to pay on the day of measurement by selling the asset in the orderly transaction, after deducting the incremental cost directly attributable to the disposal asset or cash generating unit. The use value is calculated based on the cash flow discount model. Cash

RITEK CORPORATION

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

flow estimate is in accordance with the budget over the next decade, and does not include the future major investment which has not been promised by the Company, or to strengthen the asset performance of cash generating unit. The recoverable amount is vulnerable to the discount rate used in the cash flow discount model and the expected future cash flow and growth rate used for the extrapolation purpose.

(2) Inventory

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

VI. Description of important accounting items

1. Cash and cash equivalent

	December 31, 2018	December 31, 2017
Cash on hand	\$830	\$1,503
Current deposit and cheque deposit	574,721	794,254
Fixed-term deposit	10,000	1,400
Total	<u>\$585,551</u>	<u>\$797,157</u>

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

	December 31, 2018	December 31, 2017 (Note)
Force to measure at fair value through profit or loss:		
Stock	\$12,471	
Fund	30,041	
Total	<u>\$42,512</u>	

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

Current	\$42,512
Non-current	<u>-</u>
Total	<u><u>\$42,512</u></u>

	<u>December 31, 2018 (Note)</u>	<u>December 31, 2017</u>
Held for trading:		
Non-derivative financial assets		
Stock		\$21,359
Fund		<u>20,292</u>
Total		<u><u>\$41,651</u></u>
Current		\$41,651
Non-current		<u>-</u>
Total		<u><u>\$41,651</u></u>

Note: The Company adopts IFRS 9 from January 1, 2018 and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017 (Note)</u>
Equity instrument investment measured at fair value through other comprehensive profit or loss:		
Stock of listed company	\$67,496	
Stock of unlisted company	<u>-</u>	
Total	<u><u>\$67,496</u></u>	

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

Current	\$-
Non-current	<u>67,496</u>
Total	<u><u>\$67,496</u></u>

Note: The Company adopts IFRS 9 from January 1, 2018 and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

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

The Company adopts IAS 39 before January 1, 2018 to classify part of financial assets to financial assets available for sale, and please refer to Note VIII for the provided guarantee.

4. Financial assets available for sale

	<u>December 31, 2018 (Note)</u>	<u>December 31, 2017</u>
Stock		<u>\$156,047</u>
Current		\$-
Non-current		<u>156,047</u>
Total		<u><u>\$156,047</u></u>

Note: The Company adopts IFRS 9 from January 1, 2018 and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

5. Financial assets measured at amortized cost

	<u>December 31, 2018</u>	<u>December 31, 2017 (Note)</u>
Restricted bank deposit	<u>\$53,674</u>	

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

Current	\$53,674
Non-current	-
Total	<u>\$53,674</u>

Note: The Company adopts IFRS 9 from January 1, 2018 and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

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

6. Investment on debt instrument without active market

	December 31, 2018 (Note)	December 31, 2017
Restricted bank deposit		<u>\$54,605</u>
Current		\$54,605
Non-current		-
Total		<u>\$54,605</u>

Note: The Company adopts IFRS 9 from January 1, 2018 and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

The guarantee to investment on debt instrument without active market provided by the Company shall refer to Note VIII.

7. Bill receivable

	December 31, 2018	December 31, 2017
Bill receivable – arising from operation	\$2,840	\$12,489
Less: reserve for loss	-	-
Total	<u>\$2,840</u>	<u>\$12,489</u>

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

RITEK CORPORATION

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

The Company adopts IFRS 9 to assess the impairment from January 1, 2018, and the reserve for loss related information shall refer to Note VI. 23, and the credit risk related information shall refer to Note XII.

8. Account receivable and account receivable - interested party

	December 31, 2018	December 31, 2017
Account receivable	\$727,528	\$727,543
Less: reserve for loss	(119,100)	(170,000)
Subtotal	608,428	557,543
Account receivable - interested party	781,368	264,365
Less: reserve for loss	-	-
Subtotal	781,368	264,365
Total	<u>\$1,389,796</u>	<u>\$821,908</u>

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

The credit period to the client is usually 30 to 150 days. The Company adopts IFRS 9 to assess the impairment after January 1, 2018, and the information on reserve for loss of 2018 shall refer to Note VI. 23. The Company adopts IAS 39 to assess the impairment before January 1, 2018, and the bad debt changes and aging analysis information of impairment in accounts receivable and accounts receivable - interested party of 2017 are as follows (the credit risk disclosure shall refer to Note XII):

	Impairment loss of individual assessment	Impairment loss of group assessment	Total
January 1, 2017	\$40,238	\$90,332	\$130,570
Current incurred (recovered) amount	6,923	32,507	39,430
December 31, 2017	<u>\$47,161</u>	<u>\$122,839</u>	<u>\$170,000</u>

RITEK CORPORATION

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

As of December 31, 2017, the Company has assessed the impairment loss mainly due to the financial difficulties of the counterparty. The amount recognized is the difference between the book amount of accounts receivable and the present value of the expected recovery amount. The Company does not hold any collateral for such accounts receivable.

Overdue aging analysis of net account receivable and account receivable - interested party as below:

	Not overdue And no impairmen t	Account receivable overdue but no impairment					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	
December 31, 2017	\$652,596	\$87,221	\$28,685	\$15,166	\$15,379	\$22,861	\$821,908

9. Inventory

	December 31, 2018	December 31, 2017
Raw material	\$290,005	\$249,364
Semi-finished goods and goods in process	753,778	737,309
Finished goods	146,087	190,047
Commodity inventory	14,943	13,271
In-transit inventory	77,672	91,052
Total	<u>\$1,282,485</u>	<u>\$1,281,043</u>

The inventory cost recognized as expense by the Company in 2018 is NT\$ 5,105,590,000, including the inventory having been sold or scrapped as a result of partial decline in value in 2018, resulting the inventory decline and benefit recovery of NT\$ 102,562,000.

The inventory cost recognized as expense by the Company in 2017 was NT\$ 5,687,017,000, including the recognized loss from falling price of inventory of NT\$ 20,308,000.

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

There is no guarantee to inventory provided by the Company.

10. Investment by equity method

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

Invested company name	December 31, 2018		December 31, 2017	
	Amount	Share-holding Ratio %	Amount	Share-holding Ratio %
Investment to subsidiaries:				
Zhongfu Investment Co., Ltd.	\$246,448	100.00	\$118,471	100.00
Zhongyuan International Venture Capital Co., Ltd.	462,978	100.00	438,992	100.00
Ritdisplay CORPORATION	602,521	46.24	448,579	46.24
U-TECH MEDIA CORPORATION.	394,524	22.26	410,768	22.26
Prorit CORPORATION.	923,594	85.87	888,450	85.87
AimCore Technology Co., Ltd.	459,878	21.27	467,012	21.27
PVNEXT CORPORATION.	27,749	43.12	55,590	43.12
RITEDIA CORPORATION	7,741	100.00	7,585	100.00
Ritcare CORPORATION.	61,292	100.00	37,402	100.00
Heli Energy Co., Ltd.	986	100.00	985	100.00
Ritfast CORPORATION.	53,895	34.84	57,690	50.68
Affluence International Co., Ltd. (B.V.I.)	619,098	100.00	640,334	100.00
Ritek Group Inc. (Cayman)	283,672	100.00	324,145	100.00
Max Online Ltd. (B.V.I.)	1,760,584	100.00	2,238,963	100.00
Score High Group Ltd. (B.V.I.)	1,554,739	100.00	1,809,168	100.00
ART Management Ltd. (B.V.I.)	496,050	100.00	542,364	100.00
Ritrax Corporation Ltd.	83,351	7.46	94,157	7.46
Sky Chance International Corp.	37,325	100.00	47,027	100.00
Investment to affiliated enterprises:				
GoldenRiver Investment International Corp.	7,414	23.14	6,571	23.14
Finesil Technology Co., Ltd.	35,042	48.93	-	-
Total	<u>\$8,118,881</u>		<u>\$8,634,253</u>	

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

(1) Investment to subsidiary

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

(2) Investment to affiliated enterprises

The Company's investment in affiliated enterprises is not material to the Company. The aggregate book amounts of the affiliated enterprises invested by the Company as at December 31, 2018 and December 31, 2017 are respectively NT\$ 42,456,000 and NT\$ 6,571,000, and the total financial information is listed as follows according to their shares:

	2018	2017
Net profit (loss) in current period	\$(7,355)	\$1,792
Other comprehensive profit (loss) in current period (net of tax)	-	-
Total comprehensive profit (loss) in current period	\$(7,355)	\$1,792

The above-mentioned investment to affiliated enterprises has no contingent liabilities or capital commitments as of December 31, 2018 and December 31, 2017, and no guarantee has been provided.

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

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

11. Property, plant and equipment

		Land	Buildings and structures	Machinery equipment	Other equipment	Construction in progress and Equipment to be tested	Total
Cost:							
January 1, 2018	1,	\$966,548	\$3,124,463	\$3,525,845	\$247,454	\$154,433	\$8,018,743
Adding		-	-	-	-	186,389	186,389
Disposal		-	(5,457)	(38,299)	(4,694)	-	(48,450)
Transfer		-	43,754	279,344	2,210	(325,308)	-
December 31, 2018		\$966,548	\$3,162,760	\$3,766,890	\$244,970	\$15,514	\$8,156,682
January 1, 2017	1,	\$966,548	\$3,334,781	\$5,978,351	\$280,637	\$33,877	\$10,594,194
Adding		-	-	-	-	163,477	163,477
Disposal		-	(104,771)	(2,481,201)	(41,798)	-	(2,627,770)
Transfer		-	(105,547)	28,695	8,615	(42,921)	(111,158)
December 31, 2017		\$966,548	\$3,124,463	\$3,525,845	\$247,454	\$154,433	\$8,018,743
Depreciation and impairment:							
January 1, 2018	1,	\$-	\$1,904,482	\$2,669,884	\$93,251	\$-	\$4,667,617
Depreciation		-	67,656	375,005	18,703	-	461,364
Disposal		-	(5,236)	(31,015)	(4,693)	-	(40,944)
Transfer		-	-	-	-	-	-
December 31, 2018		\$-	\$1,966,902	\$3,013,874	\$107,261	\$-	\$5,088,037
January 1, 2017	1,	\$-	\$1,976,439	\$4,629,081	\$113,046	\$-	\$6,718,566
Depreciation		-	72,115	519,141	21,816	-	613,072
Disposal		-	(92,923)	(2,478,183)	(41,611)	-	(2,612,717)
Transfer		-	(51,149)	(155)	-	-	(51,304)
December 31, 2017		\$-	\$1,904,482	\$2,669,884	\$93,251	\$-	\$4,667,617
Net book amount:							
December 31, 2018		\$966,548	\$1,195,858	\$753,016	\$137,709	\$15,514	\$3,068,645
December 31, 2017		\$966,548	\$1,219,981	\$855,961	\$154,203	\$154,433	\$3,351,126

The provided guarantee to property, plant and equipment shall refer to Note VIII.

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

12. Investment property

	<u>Buildings</u>
Cost:	
January 1, 2018	\$107,747
Adding – from subsequent expense	-
Disposal	-
December 31, 2018	<u>\$107,747</u>
January 1, 2017	\$-
Adding – from subsequent expense	-
Transfer	107,747
December 31, 2017	<u>\$107,747</u>
Depreciation and impairment:	
January 1, 2018	\$51,149
Current depreciation	2,998
Disposal	-
December 31, 2018	<u>\$54,147</u>
January 1, 2017	\$-
Current depreciation	-
Disposal	-
Transfer	51,149
December 31, 2017	<u>\$51,149</u>
Net book amount:	
December 31, 2018	<u>\$53,600</u>
December 31, 2017	<u>\$56,598</u>

	<u>2018</u>	<u>2017</u>
Investment property rental revenue	\$11,490	\$9,317
Less: Direct operating expense incurred on investment property generating rental revenue for the current period	(2,998)	(2,929)
Direct operating expense incurred on investment property not generating rental revenue for the current period	-	-
Total	<u>\$8,492</u>	<u>\$6,388</u>

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

RITEK CORPORATION

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

The investment property held by the Company is not measured according to the fair value, but only reveals the information of its fair value, which belongs to Level 3. The fair value of the investment property held by the Company was NT\$ 332,879,000 on December 31, 2018 and December 31, 2017, respectively. The fair value mentioned above refers to the evaluation of the recent transaction price of similar targets by referring to the real price query of the property transaction of the Ministry of the Interior.

13. Intangible asset

	<u>Patent right</u>
Cost:	
January 1, 2018	\$193,138
Adding – acquiring separately	-
December 31, 2018	<u>\$193,138</u>
January 1, 2017	\$193,138
Adding – acquiring separately	-
December 31, 2017	<u>\$193,138</u>
Amortization and impairment:	
January 1, 2018	\$168,979
Amortization	7,864
December 31, 2018	<u>\$176,843</u>
January 1, 2017	\$159,154
Amortization	9,825
December 31, 2017	<u>\$168,979</u>
Net book amount:	
December 31, 2018	<u>\$16,295</u>
December 31, 2017	<u>\$24,159</u>

Amortization amount recognized as intangible asset as below:

	<u>2018</u>	<u>2017</u>
Operating cost and operating expense	<u>\$7,864</u>	<u>\$9,825</u>

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

14. Other non-current assets

	December 31, 2018	December 31, 2017
Other prepaid repair costs	\$44,069	\$53,365
Refundable deposit	606	2,906
Total	<u>\$44,675</u>	<u>\$56,271</u>

Up to December 31, 2018 and December 31, 2017, the unused short-term borrowing limits of the Company are respectively NT\$ 330,256,000 and NT\$ 955,434,000.

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

15. Short-term borrowing

	December 31, 2018	December 31, 2017
Borrowing by financial institutions	<u>\$1,402,136</u>	<u>\$948,479</u>
Interest rate range (%)	<u>1.1063~4.4456</u>	<u>1.1038~3.2699</u>

Up to December 31, 2018 and December 31, 2017, the unused short-term borrowing limits of the Company are respectively NT\$ 330,256,000 and NT\$ 955,434,000.

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

16. Short-term notes and bills payable

Guarantee agency	December 31, 2018	December 31, 2017
Commercial paper issued book value	\$225,000	\$250,000
Less: Discount on short-term notes and bills payable	(173)	(215)
Net amount	<u>\$224,827</u>	<u>\$249,785</u>
Interest rate range (%)	<u>0.5970~0.8120</u>	<u>0.4500~0.6500</u>

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

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

	December 31, 2018	December 31, 2017
Held for trading:		
Derivative instruments not specifying the hedging relationship		
Forward foreign exchange contract	\$-	\$5,192
Current	\$-	\$5,192
Non-current	-	-
Total	\$-	\$5,192

18. Long-term borrowing

	December 31, 2018	December 31, 2017
Borrowing by financial institutions	\$2,448,200	\$2,472,195
Less: Long-term borrowing maturing within one year or one business cycle	(784,531)	(564,481)
Total	\$1,663,669	\$1,907,714
Interest rate range (%)	1.8780~2.6400	1.8780~2.6400

(1) In June 2015, the Company signed the five-year NT\$ 1.35 billion guaranteed financing commitment contract with the joint credit granting bank group including Taiwan Cooperative Bank. The main commitments of above joint credit granting case are as follows:

A. In addition to the formal replacement of machinery equipment and the sale of inventories, the majority of the guarantor bank shall agree to sell, transfer, lend, lease or dispose all or substantial part of the assets, or in the case of material change in the business item or business undertaking.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

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

B. As of December 31, 2018 and December 31, 2017, the outstanding loan balance of the Company is NT\$ 0 and NT\$ 1,199,945,000 respectively.

(2) The Company signed the two-year NT\$ 700 million financing commitment contract with Taishin International Commercial Bank in August 2018. The main commitments of the above credit granting case are as follows:

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

B. As of December 31, 2018 and December 31, 2017, the outstanding loan balance of the Company is NT\$ 691,000,000 and NT\$ 0 respectively.

(3) The Company's financial ratio on December 31, 2018 has met the aforementioned bank loan contract provisions.

(4) The remaining loan repayment period starts from 2014 and ends in 2023 by stages.

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

19. Lease payable

Part of the Company's machinery equipment items are held in the form of financial leasing. Such lease agreement contains the lessee's purchase option. The future minimum lease payment and the adjustment of financial lease's present value are listed as follows:

RITEK CORPORATION

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

	December 31, 2018		December 31, 2017	
	Minimum payment	Present value of payment	Minimum payment	Present value of payment
Less than one year	\$11,280	\$11,032	\$11,280	\$11,009
More than one year but less than five years	45,120	44,365	45,120	44,271
More than five years	66,270	65,858	77,550	76,985
Total minimum rental payment	122,670	\$121,255	133,950	\$132,265
Less: Financial cost	(1,415)		(1,685)	
Present value of minimum lease payment	\$121,255		\$132,265	
Current	\$11,032		\$11,009	
Non-current	110,223		121,256	
Total	\$121,255		\$132,265	

20. Retirement benefit plan

Defined contribution plan

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

The Company confirmed and recognized transfer program costs in 2018 and 2017 are NT\$24,634,000 and NT\$29,228,000, respectively.

Defined benefit plan

The employee pension plan established by the Company in accordance with the "Labor Standards Law" is the defined benefit plan, and the payment of the employee pension is calculated based on the base of service experience and the average monthly salary at the time of approved retirement. Two bases shall be given for each year of service less than 15 years (included), and one base shall be given

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

for each year of service more than 15 years, provided that the maximum accumulative base number shall be 45. The Company shall, in accordance with the Labor Standards Law, contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited in the special account in the name of the Labor Retirement Reserve Supervision Committee in the Bank of Taiwan. In addition, the Company shall, before the end of each fiscal year, estimate the balance of the aforesaid labor retirement reserve account. If the balance is less than the amount of the aforesaid pension for the workers who are eligible for retirement in the next fiscal year, the Company shall allocate the difference before the end of March of the next fiscal year.

The Ministry of Labor allocates the assets according to the income and expenditure custody and operation methods of the labor retirement fund, and the investment of the fund shall be carried out in the form of self-management and entrusted management, as well as adopting the medium and long-term investment strategies in active and passive management. Considering the market, credit, liquidity and other risks, the Labor Department shall set the fund risk limit and control plan, so as to have enough flexibility to achieve the target reward without taking excessive risks. For the use of the fund, the minimum annual income distributed in the final accounts shall not be less than the income calculated on the basis of two-year time deposits of the local bank; in case of any deficiency, it shall be made up by the State Treasury after being approved by the competent authority. Since the Company has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the fair value of the plan assets in accordance with Paragraph 142 of IAS 19. As of December 31, 2018, the Company's defined benefit plan is expected to allocate NT\$12,264,000 for the next year.

As of December 31, 2018 and December 31, 2017, the weighted average duration of defined benefit plan of the Company is 16 years and 18 years respectively.

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

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

	2018	2017
Current service cost	\$742	\$760
Net interest of net defined benefit liability (asset)	2,012	2,071
Previous service cost	-	-
Total	<u>\$2,754</u>	<u>\$2,831</u>

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	\$327,784	\$338,235
Fair value of plan asset	<u>211,430</u>	<u>213,219</u>
Other non-current liability – net defined benefit liability (asset) column number	<u>\$116,354</u>	<u>\$125,016</u>

Net defined benefit liability (asset) adjustment:

	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liability (asset)
January 1, 2017	\$334,211	\$212,416	\$121,795
Current service cost	760	-	760
Interest expense (revenue)	6,016	3,946	2,070
Previous service cost and liquidation profit or loss	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>340,987</u>	<u>216,362</u>	<u>124,625</u>
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	<u>-</u>	<u>-</u>	<u>-</u>

RITEK CORPORATION

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

Financial assumption change		-	
generated actuarial profit or loss	-		-
Experience adjustment	11,803	-	11,803
Defined benefit asset remeasurement amount	-	(1,870)	
			1,870
Subtotal	11,803	(1,870)	13,673
Benefit of payment	(14,555)	(14,555)	-
Employer contribution amount	-	13,282	(13,282)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2017	338,235	213,219	125,016
Current service cost	742	-	742
Interest expense (revenue)	5,750	3,738	2,012
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	344,727	216,957	127,770
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	-	-	-
Financial assumption change generated actuarial profit or loss	4,183		4,183
Experience adjustment	1,671	-	1,671
Defined benefit asset remeasurement amount	-	5,006	(5,006)
Subtotal	5,854	5,006	848
Benefit of payment	(22,797)	(22,797)	-
Employer contribution amount	-	12,264	(12,264)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2018	\$327,784	\$211,430	\$116,354

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

	December 31, 2018	December 31, 2017
Discount rate	1.60%	1.70%
Expected salary increasing rate	2.00%	2.00%

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

Every significant actuarial assumption sensitivity analysis:

	2018		2017	
	Defined benefit obligation increasing	Defined benefit obligation decreasing	Defined benefit obligation increasing	Defined benefit obligation decreasing
Discount rate	\$-	\$20,211	\$-	\$23,484
increasing 0.5%				
Discount rate	22,050	-	25,790	-
decreasing 0.5%				
Expected salary	22,133	-	25,876	-
increasing 0.5%				
Expected salary	-	20,482	-	23,786
decreasing 0.5%				

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

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

21. Equity

(1) Common stock

As of December 31, 2018 and December 31, 2017, the paid-in capital of the Company is NT\$ 12,841,579,000 and NT\$ 17,667,921,000, and par value per share is NT\$ 10, totally 1,284,157,900 shares and 1,766,792,130 shares.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

To improve the financial structure, the Company decides to reduce the capital and cover the deficit of NT\$ 4,826,342,000 in the shareholder meeting on June 12, 2018, and the reduced share number is 482,634,230, in the capital reduction rate of 27.32%, and also decides July 19, 2018 is the capital reduction base day in the shareholder meeting on July 18, 2018.

(2) Capital surplus

	December 31, 2018	December 31, 2017
Difference between actually acquired or disposed subsidiary equity price and book value	\$583,288	\$570,205
Donated assets received	4,937	4,937
Recognizing the change in ownership equity of subsidiary	362,610	361,863
Total	<u>\$950,835</u>	<u>\$937,005</u>

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

(3) Treasury stock

As of December 31, 2017, the subsidiary Chung Fu Investment Co., Ltd. and Chung Yuan International Venture Capital Co., Ltd. respectively held the Company's stock of NT\$ 1,762,786,000 and NT\$ 666,128,000, and the share number was respectively 21,299,000 and 6,248,000. The above-mentioned stock was held for financial operation before the amendment of Corporation Law on November 12, 2001. As of December 31, 2017, the book value of

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

treasury stock was NT\$ 2,428,914,000, and the market price was NT\$ 128,369,000.

The above subsidiaries sold all the held stocks of the Company in 2018, totally 27,547,000 shares, and total sales price was NT\$ 167,085,000, with the difference of NT\$ 2,261,829,000 to the book value of NT\$ 2,428,914,000, for the debt retained surplus. As of December 31, 2018, there is no treasury stock.

(4) Surplus distribution and dividend policy

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

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

RITEK CORPORATION

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

After adopting IFRS, the Company released the stipulation Letter JGZF No. 1010012865 in accordance with FSC on April 6, 2012; for the first-time application of IFRS, the unrealized revaluation appreciation and accumulated conversion adjustment benefits of the account are transferred to the retained surplus portion on the conversion day by reason of the application of IFRS 1 "First application of IFRS" exemption item, and the same amount of the special surplus reserve is set aside. Upon the application of IFRS to prepare the financial report, the special surplus reserve shall be set aside at the time of the assignment of the distributable surplus, on the basis of the difference between the balance of the special surplus reserve at the time of the first IFRS application and the net amount of other equity deductions. If the balance of any other deduction item of shareholders' equity subsequently turns, the surplus of the recovery portion may be distributed. The Company does not need to set aside any special surplus reserve due to the first application of IFRS.

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

22. Operating revenue

	2018	2017
Revenue from Contracts with Customers		
Revenue from sales of goods	\$4,994,319	\$5,222,080

Note: The Company adopts IFRS 15 to handle the Revenue from Contracts with Customers after January 1, 2018, and chooses to recognize the accumulative influence number of first application on January 1, 2018.

Information related to Revenue from Contracts with Customers from January 1 to December 31, 2018 is as below:

(1) Revenue subdivision

January 1 to December 31, 2018

	2018
Sales of goods	\$4,994,319

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

Revenue recognition time and place:

In certain time and place	\$4,994,319
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(2) Contract balance

A. Contract liability – current

	Beginning balance	Ending balance	Difference
Sales of goods	\$163,817	\$114,238	\$(49,579)

From January 1 to December 31, 2018, the contract liability balance of the Company decreases sharply due to majority performance obligations have been met, in which, NT\$ 163,817,000 is the beginning balance and recognized as revenue in current period.

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

No.

23. Expected credit impairment loss

	2018	2017 (Note)
Operating expense – expected credit impairment interest		
Bill receivable	\$-	
Account receivable	(12,331)	
Non-operating revenue and expense – expected credit impairment loss		
Other receivables	10	
Total	\$(12,321)	

Note: The Company adopts IFRS 9 after January 1, 2018, and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

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

Credit risk related information shall refer to Note XII.

The Company's receivables (including the bill receivable, account receivable and other receivable) adopts the expected amount of credit loss during the existence term of the Company to measure the reserve for loss. The amount of reserve for loss is estimated at December 31, 2018. The relevant interpretations are as follows:

- (1) The total book amount of bill receivable of NT\$ 2,840,000 is not overdue, and the amount of reserve for loss, measured by 0% of the expected credit loss rate, is NT\$ 0.
- (2) The total book amount of other receivable is NT\$ 18,618,000. Among them, the reserve for loss measured at 0%~100% of individual expected credit loss rate is NT\$ 1,000,000. The remaining total book amount is not overdue and its expected credit loss rate is 0%.
- (3) Account receivable shall be grouped based on the factors such as the counterparty credit rating, region and industry, and adopts the reserve matrix to measure the reserve for losses. Relevant information is as follows:

	Overdue days						Total
	Not overdue	Within 30 days				Over 120 days	
		days	31-60 days	61-90 days	91-120 days	days	
Total book amount	\$866,490	\$172,539	\$136,630	\$103,790	\$72,349	\$157,098	\$1,508,896
Loss ratio (%)	0%	1%	2%	5%	10%	20~100%	
Expected credit loss during the term of existence	-	1,725	2,733	5,190	7,235	102,217	119,100
Book value	\$866,490	\$170,814	\$133,897	\$98,600	\$65,114	\$54,881	\$1,389,796

Change information of bill receivable, account receivable and other receivable reserve for loss of the Company from January 1 to December 31, 2018 is as below:

<u>Bill receivable</u>	<u>Account receivable</u>	<u>Other receivables</u>
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RITEK CORPORATION

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

Beginning balance (according to IAS 39)	\$-	\$170,000	\$990
Beginning retained surplus adjustment	-	-	-
Beginning balance (according to IFRS 9)	-	170,000	990
Current increased (recovered) amount	-	(12,331)	10
Offset for unrecoverable	-	(38,569)	-
Exchange rate change	-	-	-
Ending balance	\$-	\$119,100	\$1,000

24. Operating lease

(1) The Company as the lessee

The Company has entered into the commercial lease contract with the average term of one year and no right to renew the lease. There are no restrictions on the Company in this contract.

According to the non-cancelable operating lease contract, the future minimum lease payments as of December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$-	\$-
More than one year but less than five years	-	-
Total	\$-	\$-

Operating lease recognized expense is as below:

	2018	2017
Minimum rental payment	\$8,525	\$16,593

(2) The Company as the leaser

The Company enters into the commercial property lease contract with the remaining years between one and four years. All lease contracts contain the

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

provisions that can adjust the rent according to the market environment each year.

According to the non-cancelable operating lease contract, the total amount of future minimum lease payments of the lessee as of December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$16,460	\$11,253
More than one year but less than five years	31,564	23,291
Total	<u>\$48,024</u>	<u>\$34,544</u>

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

Nature\Function	2018			
	Operating cost	Operating expense	Non-operating expense	Total
Staff welfare expense				
Salary expense	\$444,140	\$131,245	\$-	\$575,385
Labor insurance expense	47,268	9,482	-	56,750
Pension expense	21,232	6,156	-	27,388
Director remuneration	-	700	-	700
Other staff welfare expense	2,081	320	-	2,401
Depreciation expense	411,769	37,544	15,049	464,362
Amortization expense	41,115	10,289	-	51,404

RITEK CORPORATION

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

Nature\Function	2017			
	Operating cost	Operating expense	Non-operating expense	Total
Staff welfare expense				
Salary expense	\$513,687	\$122,655	\$-	\$636,342
Labor insurance expense	52,266	11,765	-	64,031
Pension expense	25,733	6,326	-	32,059
Director remuneration	-	655	-	655
Other staff welfare expense	2,211	327	-	2,538
Depreciation expense	562,599	33,781	16,692	613,072
Amortization expense	70,261	9,649	-	79,910

Note: The number of employees of the Company in 2018 and on December 31, 2017 is respectively 940 and 1,076 persons, in which the number of directors not as employee is 4 persons.

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

The Company is in the state of loss in 2018 and 2017, so it does not list the remuneration of employees and the remuneration of the board of directors.

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

26. Non-operating revenue and expense

(1) Other revenue

	2018	2017
Interest revenue (Note)	\$7,078	\$12,343
Rental revenue	13,740	10,659
Dividend revenue	4,600	1,933
Other revenue – others	23,297	33,884
Total	<u>\$48,715</u>	<u>\$58,819</u>

Note: The Company adopts IFRS 9 after January 1, 2018, and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

(2) Other profits and losses

	2018	2017
Profit from disposal of property, plant and equipment	\$16,092	\$17,028
Net foreign currency exchange profit (loss)	18,979	(86,842)
Financial assets / (liability) profit / (loss) measured at fair value through profit or loss (Note)	1,586	(1,297)
Miscellaneous expense	<u>(13,871)</u>	<u>(14,218)</u>
Total	<u>\$22,786</u>	<u>\$(85,329)</u>

Note: From January 1 to December 31, 2018, it generated from forcing to measure the financial assets at fair value through profit or loss, and from January 1 to December 31, 2017, it generated from financial assets / (liability) held for trading.

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

(3) Financial cost

	2018	2017
Bank loan interest	\$(88,741)	\$(86,574)
Other interests	(291)	(312)
Total financial cost	<u>\$(89,032)</u>	<u>\$(86,886)</u>

27. Components of other comprehensive profit or loss

Components of other comprehensive profit or loss in 2018 are as below:

	Current incurrence	Current reclassification adjustment	Other comprehensive profit or loss	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Defined benefit plan					
remeasurement amount	\$(848)	\$-	\$(848)	\$-	\$(848)
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	(45,139)	-	(45,139)	-	(45,139)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(53,514)	-	(53,514)	-	(53,514)
Items possible to be reclassified to profit or loss in the future:					
Shares of other comprehensive profit or	(34,316)	-	(34,316)	-	(34,316)

RITEK CORPORATION

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

loss of subsidiary, affiliated enterprises and joint venture recognized by equity method					
Total	<u>\$ (133,817)</u>	<u>\$-</u>	<u>\$ (133,817)</u>	<u>\$-</u>	<u>\$ (133,817)</u>

Components of other comprehensive profit or loss in 2017 are as below:

	Current incurrence	Current reclassification adjustment	Other comprehensive profit or loss	Income tax benefit (expense)	After-tax amount
Items not reclassified to profit or loss:					
Defined benefit plan remeasurement amount	\$ (13,673)	\$-	\$ (13,673)	\$-	\$ (13,673)
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	(5,056)	-	(5,056)	-	(5,056)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method					
Items possible to be reclassified to profit or loss in the future:	(10,519)	-	(10,519)	-	(10,519)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(292,551)	-	(292,551)	-	(292,551)
Total	<u>\$ (321,799)</u>	<u>\$-</u>	<u>\$ (321,799)</u>	<u>\$-</u>	<u>\$ (321,799)</u>

RITEK CORPORATION

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

28. Income tax

In accordance with the revised provisions of the income tax law issued on February 7, 2018, the Company's income tax rate for profit-seeking enterprises shall be changed from 17% to 20%, and the income tax rate of undistributed surplus for profit-seeking enterprises shall be changed from 10% to 5%.

Major components of income tax expense (benefit) are as below:

Income tax recognized as profit or loss

	2018	2017
Current income tax expense:		
Current income tax payable	\$-	\$-
Current income tax of previous year adjusted in current period	-	(1)
Deferred income tax expense (benefit):		
Deferred income tax expenses related to original generation of temporary difference and its recovery (benefit)	18,395	(15,424)
Deferred income tax related to original generation and recovery of tax loss and income tax deduction	184,213	337,833
Deferred income tax related to tax rate change or new tax levy	(38,566)	-
Income tax expense	<u>\$164,042</u>	<u>\$322,408</u>

Income tax recognized as other comprehensive profit or loss

	2018	2017
Deferred income tax expense (benefit):		
Defined benefit plan remeasurement amount	<u>\$-</u>	<u>\$-</u>

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

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

	2018	2017
Net profit (loss) before tax from continuously operated entity	<u>\$(1,128,781)</u>	<u>\$(2,108,047)</u>
Income tax calculated by statutory income tax rate	\$(225,756)	\$(358,368)
Tax-exempt income tax influence number	(36,977)	(11,373)
Non-deductible expense income tax influence number in tax declaration	-	618
Deferred income tax asset / liability income tax influence number	426,775	691,532
Adjustment in current year of current income tax of previous year	<u>-</u>	<u>(1)</u>
Total income tax expense recognized as profit or loss	<u>\$164,042</u>	<u>\$322,408</u>

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

2018

	Beginning balance	Recognized as profit or loss	Recognized as other comprehensi ve profit or loss	Ending balance
Temporary difference				
Net profit or loss of unrealized foreign currency exchange	\$6,009	\$(11,924)	\$-	\$(5,915)
Bad debt reserve recognition	27,361	(6,364)	-	20,997
Unrealized profit between the affiliated companies	17,183	7,245	-	24,428
Year-end bonus	8,833	3,128	-	11,961

RITEK CORPORATION

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

Unrealized fire loss	2,574	454	-	3,028
Unused tax loss	<u>156,581</u>	<u>(156,581)</u>	<u>-</u>	<u>-</u>
Deferred income tax (expense) / benefit		<u>\$(164,042)</u>	<u>\$-</u>	
Deferred income tax asset / (liability) net amount	<u>\$218,541</u>			<u>\$54,499</u>
Information expressed in balance sheet as below:				
Deferred income tax asset	<u>\$218,541</u>			<u>\$60,414</u>
Deferred income tax liability	<u>\$-</u>			<u>\$(5,915)</u>

2017

	Beginning balance	Recognized as profit or loss	Recognized as other comprehensive profit or loss	Ending balance
Temporary difference				
Net profit or loss of unrealized foreign currency exchange	\$4,088	\$1,921	\$-	\$6,009
Bad debt reserve recognition	20,224	7,137	-	27,361
Unrealized profit between the affiliated companies	11,327	5,856	-	17,183
Year-end bonus	8,323	510	-	8,833
Unrealized fire loss	2,574	-	-	2,574
Unused tax loss	<u>494,414</u>	<u>(337,833)</u>	<u>-</u>	<u>156,581</u>
Deferred income tax (expense) / benefit		<u>\$(322,409)</u>	<u>\$-</u>	
Deferred income tax asset / (liability) net amount	<u>\$540,950</u>			<u>\$218,541</u>
Information expressed in balance sheet as below:				
Deferred income tax asset	<u>\$540,950</u>			<u>\$218,541</u>

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

Deferred income tax liability	\$-	\$-
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Unused tax loss information of the Company is summarized as below:

Incurrence year	Loss amount	Unused balance		Final deductible year
		December 31, 2018	December 31, 2017	
2008	\$3,331,985	\$-	\$3,331,985	2018
2009	3,370,835	3,370,835	3,370,835	2019
2010	1,258,894	1,258,894	1,258,894	2020
2011	1,913,163	1,913,163	1,913,163	2021
2012	938,408	938,408	938,408	2022
2013	2,070,277	2,070,277	2,070,277	2023
2014	2,300,611	2,300,611	2,300,611	2024
2015	5,783,839	5,783,839	5,783,839	2025
2016	1,144,980	1,144,980	1,144,980	2026
2017	817,581	817,581	817,581	2027
2018	704,179	704,179	-	2028
		<u>\$20,302,767</u>	<u>\$22,930,573</u>	

Unrecognized deferred income tax asset

As of December 31, 2018 and December 31, 2017, the total amount of deferred income tax asset unrecognized by the Company was respectively NT\$ 5,296,476,000 and NT\$ 5,198,639,000.

Income tax declaration approval condition

The profit-making enterprise income tax of the Company has been checked to 2016 by taxation authority.

28. Loss per share

The amount of the basic earnings (loss) per share shall be calculated by dividing the current net profit (loss) attributable to the holders of the parent company's ordinary shares by the weighted average number of ordinary shares outstanding in the current period.

RITEK CORPORATION

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

As the Company does not issue the dilutive potential ordinary shares, there is no need for the Company to dilute the amount of the basic earnings (loss) per share.

	2018	2017
Basic loss per share		
Net loss attributable to common shareholders of the parent company (NT\$ 1,000)	<u>\$(1,292,823)</u>	<u>\$(2,430,455)</u>
Retroactively adjusted weighted average number of ordinary shares of basic loss per share (1,000 shares)	<u>1,279,539</u>	<u>1,264,136</u>
Basic loss per share (NT\$)	<u>\$(1.01)</u>	<u>\$(1.92)</u>

The Company decided to make up the deficit by capital reduction by the resolution of the board of directors on July 18, 2018, to reduce 482,634,230 shares, and the capital reduction base day is July 19, 2018; the deal has significantly changed the final outstanding ordinary shares or potential ordinary shares, and thus the loss per share calculations of current and previous periods are expressed here, so the financial statements are based on the new shares.

VII. Interested party transactions

Interested party traded with the Company during the financial reporting period is as below:

Interested party name and relationship

<u>Interested party name</u>	<u>Relationship with the Group</u>
Zhongfu Investment Co., Ltd. (Zhongfu)	The Company adopts the equity method to evaluate the invested company
Zhongyuan International Venture Capital Co., Ltd. (Zhongyuan)	The Company adopts the equity method to evaluate the invested company
Ritdisplay Corporation. (Ritdisplay)	The Company adopts the equity method to evaluate the invested company
U-tech Media Corporation. (U-Tech)	The Company adopts the equity method to evaluate the invested company
Prorit Corporation. (Prorit)	The Company adopts the equity method to evaluate the invested company
AimCore Technology Co., Ltd. (AimCore)	The Company adopts the equity method to evaluate the invested company
PVNext Corporation. (PVNext)	The Company adopts the equity method

RITEK CORPORATION

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

Interested party name	Relationship with the Group
Ritcare Corporation. (Ritcare)	to evaluate the invested company The Company adopts the equity method to evaluate the invested company
Ritfast Corporation. (Ritfast)	The Company adopts the equity method to evaluate the invested company
Kunshan Hutek Co., Ltd. (Hutek)	The Company is the ultimate holding company of the company
Kunshan Kunlai Trade Co., Ltd. (Kunlai)	The Company is the ultimate holding company of the company
Kunshan Protek Co. Ltd (Kunshan Protek)	The Company is the ultimate holding company of the company
FANG HIS CORPORATION	The Company is the ultimate holding company of the company
American Army Club of Dollars Cultural and Creative Industry Company	The Company is the ultimate holding company of the company
Cashido Corporation (Cashido)	Affiliated enterprise of the Group
Echem Hightech Co., Ltd. (Echem)	Affiliated enterprise of the Group
Finesil Technology Inc. (Finesil)	Affiliated enterprise of the Group
O-View Technology Co., Ltd. (O-View)	The subsidiary is the director of corporate juridical person of the company
Ritek Foundation (Ritek)	The same person with the Chairman of the Company
Max Online Ltd. (B.V.I.) (Max Online)	The Company adopts the equity method to evaluate the invested company
Ritek Vietnam Company., Ltd. (RVC)	The Company is the ultimate holding company of the company
Advanced Media Inc. (AMI)	The Company is the ultimate holding company of the company
Conrexx Technology B.V. (Conrexx)	The Company is the ultimate holding company of the company
Team Diy Hardware Sdn. BHD. (Team DIY)	The Company is the ultimate holding company of the company
Ritek Latin America, Inc.	The Company is the ultimate holding company of the company
RiTS Solar B.V.	Affiliated enterprise of the Group

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

Major transaction between the interested parties

1. Sales

	2018	2017
The Company's subsidiary		
AMI	\$399,827	\$439,444
Max Online	260,675	261,956
Conrexx	365,922	273,643
Kunlai	195,568	228,921
Other	90,190	42,467
Subtotal	1,312,182	1,246,431
The Company's affiliated enterprises	95	1,802
Other interested party	4	-
Total	\$1,312,281	\$1,248,233

(1) The selling price of the Company to the interested parties is negotiated in accordance with the general market conditions; if the interested parties are the domestic company, the collection term shall be similar to the domestic client, to receive the payment in 90 to 150 days.

(2) The sales of goods between the Company and its subsidiaries in accordance with the provisions of Letter TCZ (6) No. 00747 on March 18, 1998 have been treated by consigned processing accounting instead of treated as sales. Thus, relevant items and amounts have been reduced as follows:

	2018	2017
Sales revenue	\$1,000,952	\$416,070
Sales cost	1,000,952	416,070

As of December 31, 2018 and December 31, 2017, the above consigned processing related account receivable and payable of NT\$ 324,135,000 and NT\$ 393,540,000 have been offset and expressed in net amount.

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

2. Purchase

	2018	2017
The Company's subsidiary		
RVC	\$822,676	\$1,140,687
Prorit	162,260	200,054
Other	23,708	31,427
Subtotal	1,008,644	1,372,168
The Company's affiliated enterprises	14,986	24,468
Other interested party	59	133
Total	<u>\$1,023,689</u>	<u>\$1,396,769</u>

There is no significant difference between the trading conditions of the Company's purchase of goods from interested parties and the general trading conditions. Payment terms are monthly statement 90-120 days after delivery.

3. Account receivable - interested party

	December 31, 2018	December 31, 2017
The Company's subsidiary		
RVC	\$600,988	\$112,106
Max Online	93,022	-
Kunlai	18,618	98,481
Other	68,709	53,778
Subtotal	781,337	264,365
The Company's affiliated enterprises	31	-
Total	781,368	264,365
Less: Reserve for loss	-	-
Net amount	<u>\$781,368</u>	<u>\$264,365</u>

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

4. Other receivable - interested party

	December 31, 2018	December 31, 2017
The Company's subsidiary		
RVC	\$2,084	\$3,342
Ritdisplay	2,596	2,121
AimCore	809	1,109
Other	417	1,238
Subtotal	5,906	7,810
The Company's affiliated enterprises	32	6
Total	\$5,938	\$7,816

5. Notes payable and other notes payable - interested party

	December 31, 2018	December 31, 2017
The Company's subsidiary		
Prorit	\$231,207	\$250,394
The Company's affiliated enterprises	2,837	12,194
Other interested party	-	183
Total	\$234,044	\$262,771

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

6. Account payable - interested party

	December 31, 2018	December 31, 2017
The Company's subsidiary		
Prorit	\$15,086	\$23,347
Hutek	13,760	13,557
Other	1,310	2,008
Subtotal	30,156	38,912
The Company's affiliated enterprises	1,275	2,803
Other interested party		
O-View	4,476	6
Total	<u>\$35,907</u>	<u>\$41,721</u>

7. Lease payable

	December 31, 2018	December 31, 2017
The Company's subsidiary - AimCore	\$122,670	\$133,950
Less: Financial cost	(1,415)	(1,685)
Total	<u>\$121,255</u>	<u>\$132,265</u>
Current	<u>\$11,032</u>	<u>\$11,009</u>
Non-current	<u>\$110,223</u>	<u>\$121,256</u>

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

8. Capital loan and interested party

(1) Long-term receivables

	December 31, 2018	December 31, 2017
The Company's subsidiary		
RVC	\$168,630	\$160,461
PVnext	108,000	89,300
Ritfast	-	40,000
Total	<u>\$276,630</u>	<u>\$289,761</u>

(2) Interest revenue

	2018	2017
The Company's subsidiary		
RVC	\$3,226	\$4,469
PVnext	1,889	4,947
Ritfast	464	1,613
Total	<u>\$5,579</u>	<u>\$11,029</u>

For the capital loan and conditional recovery of the subsidiary, depending on the capital turnover of the subsidiary, the interest rate ranges in 2018 and 2017 are 2.93%~4.4316% and 2.93%~2.935% respectively; please refer to Note XIII Schedule 1 for relevant instructions. No collateral is provided for the above financing.

9. Contract liability

	December 31, 2018	December 31, 2017
The Company's subsidiary		
AMI	\$64,454	\$71,865
Ritdisplay	-	24,008

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

Other	-	14,459
Total	<u>\$64,454</u>	<u>\$110,332</u>

10. Lease

Operating lease - rental payment

	2018	2017
The Company's subsidiary		
U-Tech	\$-	\$9,360
Other	214	200
Subtotal	<u>214</u>	<u>9,560</u>
The Company's affiliated enterprises		
Finesil	<u>1,752</u>	<u>-</u>
Total	<u>\$1,966</u>	<u>\$9,560</u>

Operating lease – rental revenue

	2018	2017
The Company's subsidiary	<u>\$-</u>	<u>\$84</u>

11. Endorsement

Up to 2018 and December 31, 2017, the endorsement amount of interested party of the Company is as below:

	December 31, 2018	December 31, 2017
The Company's subsidiary	<u>\$965,398</u>	<u>\$738,006</u>

12. Property transaction

(1) 2018

A. The Company purchases the property, plant and equipment from the following interested party:

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

Interested party name	Property name	Purchasing price
The Company's subsidiary	Machinery equipment and relevant equipment	\$28
The Company's affiliated enterprises	Machinery equipment and relevant equipment	639
Other interested party	Machinery equipment and relevant equipment	4,450
Total		<u>\$5,117</u>

B. The Company sells the property, plant and equipment to the following interested party:

Interested party name	Property name	Disposal price	Disposal benefit
The Company's subsidiary	Machinery equipment	<u>\$2,565</u>	<u>\$885</u>

C. Disposal profit or loss from above transactions has been removed according to IFRS and IAS.

(2) 2017

A. The Company purchases the property, plant and equipment from the following interested party:

Interested party name	Property name	Purchasing price
The Company's affiliated enterprises	Machinery equipment and relevant equipment	\$754
Other interested party	Machinery equipment and relevant equipment	86
Total		<u>\$840</u>

RITEK CORPORATION

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

B. The Company sells the property, plant and equipment to the following interested party:

Interested party name	Property name	Disposal price	Disposal benefit
The Company's subsidiary	Machinery equipment	<u>\$1,104</u>	<u>\$87</u>

C. The Company acquired the share of Laiyang Science and Technology Co., Ltd. from Ritdisplay Corporation in December 2017, totally 5,575,000 shares, in the acquisition price of NT\$ 56,419,000. As of December 31, 2017, the Company has paid the above transaction price in full.

D. Disposal profit or loss from above transactions has been removed according to IFRS and IAS.

13. Reward to main management of the Company

	2018	2017
Short-term staff welfare	\$12,734	\$12,224
Benefit after retirement	699	715
Total	<u>\$13,433</u>	<u>\$12,939</u>

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

VIII. Pledged asset

The Company has the following asset as the pledge:

Item	Book amount		Secured liability
	December 31, 2018	December 31, 2017	
Financial assets measured at fair value through other comprehensive profit or loss	\$61,955	(Note)	Bank loan
Investment to debt instrument without active market	(Note)	\$54,605	Bank loan, bond, lease and performance bond
Account receivable	310,230	463,397	Bank loan
Financial assets measured at amortized cost	53,674	(Note)	Bank loan, bond, lease and performance bond
Financial assets available for sale	(Note)	113,100	Bank loan and subsidiary loan endorsement guarantee
Investment by equity method	860,832	671,858	Bank loan and subsidiary loan endorsement guarantee
Property, plant and equipment – land	951,077	951,077	Bank loan
Property, plant and equipment – depreciable asset	1,356,806	1,172,118	Bank loan
Investment property	53,600	56,598	Bank loan
Total	<u>\$3,648,174</u>	<u>\$3,482,753</u>	

Note: The Company adopts IFRS 9 after January 1, 2018, and chooses not to

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

recompile the comparison period in accordance with IFRS 9 interim provisions.

IX. Material contingent liabilities and unrecognized contractual commitments

1. The Company issued letter of credit for imported raw material and machinery equipment but not used yet:

<u>Currency</u>	<u>Amount (unit: NT\$ 1,000)</u>
US dollar	\$1,598
Japanese yen	25,115

2. The guarantee notes issued by the Company for the purchase of machinery equipment, long-term loans, credit loans for raw materials, lawsuits and issuance of commercial promissory notes are respectively NT\$ 201,050,000. In addition, the Company will collect NT\$ 988,327,000 of guaranteed notes from the manufacturers who purchase goods from the Company and provide labor services to the Company.
3. The guarantee amount of the Company due to customs and performance guarantee shall be NT\$ 15,500,000 guaranteed by the bank.
4. The Company has entered into the following contracts for the purchase of fixed assets:

	<u>Total contract price</u>	<u>Paid amount</u>	<u>Unpaid amount</u>
Prepayments for equipment	NT\$ 29,113	NT\$ 17,200	NT\$ 11,913

5. The Company has entered into the license agreement with SANDISC, PIONEER and ONE BLUE for the disc and memory card related products, and agreed to pay the royalties to each company based on the sales volume of related products during the validity period of the contract of 5 to 10 years.

X. Major disaster losses

No.

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

XI. Major subsequent matters

No.

XII. Miscellaneous

1. Types of Financial Instruments

Financial assets

	December 31, 2018	December 31, 2017
Financial assets measured at fair value through profit or loss:		
Held for trading	(Note)	\$41,651
Force to measure at fair value through profit or loss	\$42,512	(Note)
Subtotal	42,512	41,651
Financial assets measured at fair value through other comprehensive profit or loss	67,496	(Note)
Financial assets available for sale		
Measured at fair value	(Note)	156,047
Financial assets measured at amortized cost:		
Cash and cash equivalent (excluding the cash on hand)	584,721	(Note)
Financial assets measured at amortized cost	53,674	(Note)
Bill receivable	2,840	(Note)
Account receivable (including interested party)	1,389,796	(Note)
Other account receivable (including the interested party)	18,618	(Note)
Subtotal	2,049,649	(Note)
Loans and receivables:		
Cash and cash equivalent (excluding the cash on hand)	(Note)	795,654
Investment to debt instrument without active market	(Note)	54,605
Bill receivable	(Note)	12,489
Account receivable (including the interested	(Note)	821,908

RITEK CORPORATION

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

	December 31, 2018	December 31, 2017
party)		
Other account receivable (including the interested party)	(Note)	29,315
Subtotal	(Note)	1,713,971
Total	\$2,159,657	\$1,911,669

Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities measured at amortized cost:		
Short-term borrowing (including the short-term notes and bills payable)	\$1,626,963	\$1,198,264
Notes payable and accounts payable (including the interested party)	789,351	913,327
Other payables	701,959	426,299
Long-term loan (including due within one year)	2,448,200	2,472,195
Lease payable (including the current and non-current)	121,255	132,265
Subtotal	5,687,728	5,142,350
Financial liabilities measured at fair value through profit or loss:		
Held for trading	-	5,192
Total	\$5,687,728	\$5,147,542

Note: The Company adopts IFRS 9 after January 1, 2018, and chooses not to recompile the comparison period in accordance with IFRS 9 interim provisions.

2. Financial risk management objectives and policies

The Company's financial risk management objectives are mainly to manage the market risks, credit risks and liquidity risks related to its operating activities. The Company shall identify, measure and manage the aforementioned risks according to the group policies and risk preferences.

RITEK CORPORATION

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

The Company has established appropriate policies, procedures and internal controls for the foregoing financial risk management in accordance with the relevant regulations, and the important financial activities shall be subject to be reviewed by the board of directors in accordance with relevant regulations and internal control system. During the implementation of the financial management activities, the Company shall indeed comply with relevant regulations for financial risk management.

3. Market risk

The market risk of the Company is Financial Instruments' fair value or cash flow volatility risk caused by market price changes. Market risks mainly include the exchange rate risk, interest rate risk and other price risks (such as the equity Instruments).

In practice, it is rare for the single risk variable to change independently, and the changes of each risk variable are usually correlated. However, the following risk sensitivity analysis does not consider the interaction effect of related risk variables.

Exchange rate risk

The exchange rate risk of the Company is mainly related to its operating activities (when the currency used for revenue or expense is different from the functional currency of the Company) and the net investment of foreign operating institutes.

Partial currency types of foreign currency receivable and foreign currency payable of the Company are the same; at this time, the considerable part shall produce the natural hedge effect; for part of the foreign currency amount, the forward foreign exchange contracts are used to manage the exchange rate risk; since the natural risk aversion and exchange rate risk management by forward foreign exchange contracts does not conform to the stipulations of the hedge accounting, so the hedge accounting is not adopted; in addition, the net investment of foreign operating institutes is the strategic investment, so the Company did not hedge against it.

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

The sensitivity analysis of the Company's exchange rate risk mainly focuses on the major foreign currency monetary items on the ending day of the financial reporting period, and its related foreign currency appreciation/depreciation will affect the Company's profit or loss and equity. The Company's exchange rate risk is mainly affected by the exchange rate fluctuations of USD, JPY and EUR, and the sensitivity analysis information is as follows:

- (1) When NT\$ vs. USD appreciates/depreciates by 1%, the profit or loss of the Company in 2018 and 2017 will decrease/increase by NT\$ 8,768,000 and NT\$ 6,616,000 respectively.
- (2) When NT\$ vs. JPY appreciates/depreciates by 1%, the profit or loss of the Company in 2018 and 2017 will increase/decrease by NT\$ 516,000 and NT\$ 859,000 respectively.
- (3) When NT\$ vs. EUR appreciates/depreciates by 1%, the profit or loss of the Company in 2018 and 2017 will decrease/increase by NT\$ 1,257,000 and NT\$ 1,814,000 respectively.

Interest rate risk

Interest rate risk refers to the fluctuation risk of Financial Instruments' fair value or future cash flows due to the market interest rate change, and the Company's interest rate risk mainly comes from the variable rate investment classified to loans and receivables, fixed rate borrowing, and variable rate borrowing.

The Company manages the interest rate risk by maintaining appropriate combination of fixed and floating interest rates, supplemented by the interest rate swap contract; however, it does not apply the hedge accounting since it does not comply with the hedge accounting requirements.

The sensitivity analysis related to interest rate risk focuses on the critical risk item at the ending day of financial reporting period, including the floating interest rate investment, floating interest rate loan and interest rate swap contract, and assumes to hold for one fiscal year; when the interest rates increase/decrease

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

ten basis points, the profit or loss of the Company in 2018 and 2017 will reduce/increase NT\$ 4,196,000 and NT\$ 3,748,000.

Equity price risk

The Company holds the listed and unlisted equity securities, whose fair value will be affected by uncertainty of future value of such investment target. The Company held listed and unlisted equity securities are respectively contained in the category of held for trading and available for sale. The Company manages the price risk of equity securities through the diversification in the investment and setting limit for investment for single and whole equity securities. The investment portfolio information of equity securities shall be regularly provided to the management of the Company, and the board of directors shall review and approve all investment decisions of equity securities.

For the listed equity security forced to measure at fair value through profit or loss (held for trading in 2017), when the price of such equity securities increase/decrease by 1%, the profit or loss of the Company will increase/decrease by NT\$ 425,000 and NT\$ 365,000 respectively in 2018 and 2017.

For the listed equity security held for trading, when the price of such equity securities decreases by 1%, the profit or loss and equity of the Company in 2017 shall be affected by NT\$ 1,464,000; if the price of equity securities increases by 1%, it will only affect the equity, and have no impact on the profit or loss.

For the listed company stock in equity instrument investment measured at fair value through other comprehensive profit or loss, when the price of these equity securities increases/decreases by 1%, the impact on the equity of the Company in 2018 is NT\$ 675,000.

Please refer to Note XII. 9 for sensitivity analysis information of other equity instruments or derivative instruments linked to equity instruments at fair value Level 3.

4. Credit risk management

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

Credit risk refers to the risk of financial loss arising from the failure of counterparty to perform its obligations under the contract. The Company's credit risk is caused by its operating activities (mainly the accounts receivable and bills) and financial activities (mainly the bank deposits and various financial instruments).

The Company's each unit manages the credit risk following the policies, procedures and control of credit risk. All of the counterparty credit risk evaluation system considers the counterparty's financial situation, rating agencies rating, past history and trading experience, current economic environment and the Company's internal rating standards and other factors. The Company also uses certain credit enhancement tools in the right time (such as the advance payment and insurance, etc.), in order to reduce the specific counterparty credit risk.

Up to December 31, 2018 and December 31, 2017, the top ten client accounts receivable occupy 76% and 62% of the Company's accounts receivable balance respectively, and the credit concentrated risk of the rest accounts receivable is relatively insignificant.

The accounting department of the Company manages the credit risks of bank deposits, fixed income securities and other financial instruments in accordance with the Group policy. As the trading objects of the Company are determined by the internal control procedures and are the banks with good credit and financial institutions of high investment grade, corporate organizations and government agencies, so there are no significant credit risks.

The Company adopts IFRS 9 to evaluate credit losses after January 1, 2018, in addition to accounts receivable in term of expected credit loss to measure the reserve for losses; for the rest of the profit or loss measure at fair value not through debt instrument investment, its original purchase is on the premise of lower credit risk, to assess whether the credit risk is significantly increased at each balance sheet day after the original recognition, to determine the method to measure the reserve for loss and its loss ratio.

The Company will also write off the financial assets when it assesses that it is not reasonably expected to recover (such as when the issuer or debtor has material financial difficulties or is bankrupt).

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

To increase the debt instruments credit risk investment, the Company will dispose such investment in proper time to reduce the credit losses. When adopting IFRS 9 to evaluate the expected credit losses, the evaluation forward-looking information (to be obtained without excessive cost or input) still includes the overall economy information and industry information, and it shall adjust the loss rate when the forward-looking information will have further significant impact.

5. Liquidity risk management

The Company maintains the financial flexibility through the cash and cash equivalent, liquid securities and bank loan contract. The table below is the summary of the Company's financial liability contract stated payment due, which is prepared according to the earliest date that may be required to pay and based on its undiscounted cash flow; the amount listed also includes the contract interest. To pay the interest cash flow at the floating interest rate, the amount of undiscounted interest is derived from the interest rate curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
December 31, 2018					
Loan	\$829,165	\$1,460,425	\$230,781	\$-	\$2,520,371
Short-term notes payable	225,000	-	-	-	225,000
Account payable	1,491,310	-	-	-	1,491,310
Lease payable	11,280	22,560	22,560	66,270	122,670
December 31, 2017					
Loan	\$1,565,638	\$1,876,209	\$76,732	\$-	\$3,518,579
Short-term notes payable	250,000	-	-	-	250,000
Account payable	1,339,626	-	-	-	1,339,626

RITEK CORPORATION

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

Lease payable	11,280	22,560	22,560	77,550	133,950
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Derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
December 31, 2017					
Inflow	\$127,293	\$-	\$-	\$-	\$127,293
Outflow	(132,485)	-	-	-	(132,485)
Net amount	<u><u>\$(5,192)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$(5,192)</u></u>

The disclosure of derivative financial liabilities in the above table is expressed as undiscounted net cash flow.

6. Liability adjustment from financing activity

2018 liability adjustment information:

	Short-term borrowing	Short-term notes and bills payable	Long-term loan (including due within one year)	Other non-current liability	Total liability from financing activity
January 1, 2018	\$948,479	\$249,785	\$2,472,195	\$2,654	\$3,673,113
Cash flow	453,657	(24,958)	(23,995)	469	405,173
December 31, 2018	<u><u>\$1,402,136</u></u>	<u><u>\$224,827</u></u>	<u><u>\$2,448,200</u></u>	<u><u>\$3,123</u></u>	<u><u>\$4,078,286</u></u>

2017 liability adjustment information:

No need to apply.

7. Fair value of Financial Instruments

(1) Techniques and assumptions used to evaluate the fair value

Fair value means the price that market participants collect by selling the assets or are required to pay for the transfer of liabilities in the orderly

RITEK CORPORATION

Notes to Individual Financial Statements (Continued)

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

transaction on the measurement day. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- A. Book amount of cash and cash equivalent, accounts receivable, accounts payable and other current liabilities is the reasonable approximate value of fair value, which is mainly because this kind of instruments have short maturity period.
- B. The fair value of financial assets and financial liabilities traded in active markets with standard terms and conditions shall be determined by reference to the market quotation.
- C. The equity instrument without active market shall be measured by the amount after deducting the impairment loss from the cost, because there is no public quotation in active market and the fair value cannot be measured reliably.
- D. For the debt instruments investment, bank borrowings and other non-current liabilities without active market, the fair value is determined by counterparty quotation or evaluation technology; the evaluation technique is based on the cash flow discount analysis, and the interest rate and discount rate assumptions are mainly based on the information of similar tools.
- E. The fair value of derivative financial instruments without active market quotation, including non-option derivative financial instruments, are calculated with the cash flow discount analysis based on counterparty quotation or interest rate curve applicable for the existence period; for the option derivative financial instruments, the fair value is calculated by counterparty quotation, appropriate option pricing model or other evaluation methods.

(2) Fair value of Financial Instruments measured at amortized cost

The book amount of financial assets and financial liabilities measured at amortized cost is close to the fair value.

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

(3) Fair value information of Financial Instruments

The fair value information of Financial Instruments shall refer to Note XII. 9.

8. Derivative instruments

As of December 31, 2018 and December 31, 2017, the Company has the following information about derivative instruments that are not eligible for hedging accounting and have not yet matured:

Forward foreign exchange contracts are the critical risk part that manage some transactions, but are not designated as hedging instruments. Forward foreign exchange contracts are as follows:

The Company undertakes the contract transaction as below:

December 31, 2018: No.

Item	Name	Period
December 31, 2017		
Forward foreign	Sales of EUR4,000,000	June 27, 2017 to January 31, 2018
exchange contract		

9. Fair value level

(1) Fair value level definition

All assets and liabilities measured or disclosed at fair value are classified into their fair value levels according to the lowest input value of importance to the overall fair value. Input values of each level are as follows:

Level 1: able to acquire the same assets or liabilities on the measurement day in the active market (unadjusted).

RITEK CORPORATION

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

Level 2: directly or indirectly observable input values of assets or liabilities, except those included in Level 1.

Level 3: input values of assets or liabilities not observable.

The classification of assets and liabilities recognized on repeatable basis in the financial statements is reassessed on the end of each reporting period to determine whether the fair value level transfer occurs.

(2) Fair value measurement level information

The company does not have the assets that are not repeatable as measured by fair value. The fair value level information of repeatable assets and liabilities is listed as follows:

December 31, 2018:

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Measured at fair value through profit or loss				
Financial assets				
Stock	\$12,471	\$-	\$-	\$12,471
Fund	30,041	-	-	30,041
Measured at fair value through other comprehensive profit or loss				
Equity instrument measured at fair value through other comprehensive profit or loss	67,496	-	-	67,496

December 31, 2017:

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				

RITEK CORPORATION

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

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Stock	\$21,359	\$-	\$-	\$21,359
Fund	20,292	-	-	20,292
Financial assets available for sale				
Stock	146,395	-	9,652	156,047

Transfer between the first and second levels of the fair value hierarchy

The assets and liabilities measured by the Company's repeated fair value are not transferred between Level 1 and 2 of the fair value hierarchy.

Details of changes in Level 3 of repeatable fair value hierarchy

Where the assets and liabilities measured by the Company's repeated fair value are at Level 3 of the fair value hierarchy, the adjustment of the balance from the beginning to the end of the period is listed as follows:

	Measured at fair value through other comprehensive profit or loss
	Stock
January 1, 2018 (according to IAS 39)	\$9,652
Influence number of retroactive application and retroactive recompilation	-
January 1, 2018 (according to IFRS 9)	9,652
Total loss recognized in 2018:	
Recognized as other comprehensive profit or loss (recognized as "unrealized evaluated profit or loss in equity instrument investment at fair value through other comprehensive profit or loss")	1,836
2018 acquisition/issuance	-
2018 disposal/liquidation	-

RITEK CORPORATION

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

	Measured at fair value through other comprehensive profit or loss
	Stock
2018 transfer-out to investment by equity method	(11,488)
December 31, 2018	\$-
January 1, 2017	\$18,104
Total profit (loss) recognized in 2017:	
Recognized as other comprehensive profit or loss (recognized as “unrealized evaluated profit or loss in financial assets available for sale”)	(8,452)
2017 acquisition/issuance	-
2017 disposal/liquidation	-
Transfer-in (transfer-out) to Level 3	-
December 31, 2017	\$9,652

In the above total profit (loss) recognized in the profit or loss, the profit (loss) related to the held asset as of December 31, 2018 and December 31, 2017 is respectively NT\$ 1,837,000 and NT\$ (8,452,000).

Significant unobservable input information at Level 3 of the fair value hierarchy

The significant unobservable input values of the assets measured by Level 3 of the Company's fair value hierarchy as measured by the repeatable fair value are listed in the following table:

December 31, 2018: No.

December 31, 2017:

Assessment technique	Major unobservable input value	Quantized information	Relationship between input value and fair value	Sensitivity analysis value relationship between input value and fair value
Financial				

RITEK CORPORATION

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

assets:

Available for

sale

Stock	Market method	Lack of liquidity discount	30%	The higher the degree of illiquidity is, the lower the fair value estimates	When the percentage of lack of fluidity increases (decreases) 1%, the equity to the Company shall decrease / increase NT\$ 96,000
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Evaluation process of Level 3 fair value measurement

Investment department of the Company is responsible for the fair value verification, through the independent source data to make the evaluation results close to the market status, confirm the data source is independent, reliable, consistent with other resources, and on behalf of the executable prices, and make the analysis for value changes of assets and liabilities in the remeasurement or reassessment according to the Group accounting policies on every reporting day, to ensure that the evaluation result is reasonable.

- (3) Fair value hierarchy information not measured at fair value but necessary to be exposed

December 31, 2018:

	Level 1	Level 2	Level 3	Total
Asset only disclosing the fair value:				
Investment by equity method (refer to Note VI.10)	\$2,767,942	\$-	\$-	\$2,767,942
Investment property (refer to Note VI.12)	-	-	332,879	332,879

December 31, 2017

Level 1	Level 2	Level 3	Total
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RITEK CORPORATION

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

Asset only disclosing the fair value:			
Investment by equity method (refer to Note VI.10)	\$2,768,246	\$-	\$- \$2,768,246
Investment property (refer to Note VI.12)	-	-	332,879 332,879

10. Information of foreign currency financial assets and liability of the Company with significant influence:

	Amount unit: NT\$1,000		
	December 31, 2018		
	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>			
Monetary item:			
USD	\$68,402	30.6600	\$2,097,194
JPY	12,683	0.2763	3,504
EUR	3,597	34.9500	125,699
CNY	1,337	4.4450	5,944
Non-monetary item:			
USD	752	30.6600	23,054
GBP	2,143	38.8900	83,351
<u>Financial liabilities</u>			
Monetary item:			
USD	40,425	30.7600	1,243,470
JPY	196,550	0.2803	55,092
CNY	10	4.4950	45
	December 31, 2017		
	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>			
Monetary item:			
USD	\$51,226	29.7150	\$1,522,168
JPY	114,751	0.2623	30,099
EUR	5,138	35.3400	181,578
CNY	1,387	4.5420	6,301
Non-monetary item:			

RITEK CORPORATION

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

USD	375	29.7150	11,145
GBP	2,361	39.8800	94,157
<u>Financial liabilities</u>			
Monetary item:			
USD	29,237	29.8150	871,707
JPY	435,699	0.2663	116,027
EUR	5	35.7400	182

Due to the variety of the Company's functional currencies, it is not possible to disclose the exchange profits and losses of monetary financial assets and financial liabilities according to the foreign currency of each significant impact. The foreign currency exchange profit (loss) of the Company in 2018 and 2017 were NT\$ 18,979,000 and NT\$ (86,842,000) respectively.

The above information is disclosed on the basis of foreign currency book amount (converted to functional currency).

11. Capital management

The primary objective of the capital management of the Company is to maintain the sound credit rating and good capital ratio, to support the operation of the Company and the maximization of shareholders' equity. The Company manages and adjusts its capital structure according to the economic situation, and may achieve the purpose of maintaining and adjusting its capital structure by adjusting the dividend payments, returned capital or new shares issuing.

XII. Note disclosures

1. Relevant information of major transactions

- (1) Fund loan and others: refer to Schedule 1.
- (2) Endorsement for others: refer to Schedule 2.
- (3) Held the negotiable security at the end of the period (excluding the investment subsidiary, affiliated enterprises and joint venture control part): refer to Schedule 3.

RITEK CORPORATION

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

- (4) Accumulated buying or selling of same negotiable security reaching NT\$ 300 million or more than 20% of paid-in capital: refer to Schedule 4.
 - (5) Acquired property amount reaching NT\$ 300 million or more than 20% of paid-in capital: No.
 - (6) Disposed property amount reaching NT\$ 300 million or more than 20% of paid-in capital: No.
 - (7) Amount of purchase and sale with interested party reaching NT\$ 100 million or more than 20% of paid-in capital: refer to Schedule 5.
 - (8) Amount receivable of interested party reaching NT\$ 100 million or more than 20% of paid-in capital: refer to Schedule 6.
 - (9) Engaging in derivative instrument transaction: refer to Note XII.
2. Invested company name, location... related information (excluding the Mainland China invested company): Schedule 7.
3. Mainland China investment information: refer to Schedule 8.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 1: Financings Provided

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the year	Ending Balance Approved by the Board of Directors	Actual Amount Drawn Down Ending Balance	Interest Rate Range	Nature of Financing Provided (Note 1)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Counter-party	Limit on Financier's Total Financing
													Name	Value		
0	RITEK	PVNEXT Corporation	Long-term receivables	Yes	\$110,000	\$110,000	\$108,000	2.935%	2	\$-	Working capital	\$-	None	\$-	\$916,975	\$1,833,950
0	RITEK	Rifast Corporation	Long-term receivables	Yes	40,000	-	-	2.935%	2	-	Working capital	-	None	-	(Note 2) "	(Note 2) "
0	RITEK	RVC	Long-term receivables	Yes	486,928	168,630	168,630	4.432%	2	-	Working capital	-	None	-	"	"
1	RGI	RME	Long-term receivables	Yes	85,917	84,230	84,230	1.330%	2	-	Working capital	-	None	-	166,173	166,173
2	Zhongyuan International Venture Capital Co., Ltd.	PVNEXT Corporation	Long-term receivables	Yes	100,000	80,000	80,000	2.935%	2	-	Working capital	-	None	-	(Note 3) 93,520	(Note 3) 93,520
3	Zhongfu Investment Co., Ltd.	PVNEXT Corporation	Long-term receivables	Yes	10,000	10,000	6,200	2.935%	2	-	Working capital	-	None	-	(Note 4) 58,827	(Note 4) 58,827
															(Note 4)	(Note 4)

Note 1: As for Nature of Financing Provided, 1 refers to business transaction and 2 refers to short-term financing.

Note 2: The maximum financial limit is not more than 20% of the net value of the Company, and the financial limit for each counter-party is not more than 10% of the net value of the Company.

Note 3: The maximum financial limit is not more than 60% of the net value of counter-party, and the financial limit for each borrowing company is not more than 60% of the counter-party company.

Note 3: The maximum financial limit is not more than 20% of the net value of counter-party, and the financial limit for each borrowing company is not more than 20% of the net value of the Company.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 2: Collaterals/Guarantee Provided

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/Guarantee Amounts (Note 1)	Maximum balance accumulated up to the end of this month	Ending Balance	Actual Amount Drawn Down	Amount of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement (%)	Maximum Collateral/Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Relationship (Note 2)										
0	RITEK	Ritdisplay	2	\$2,750,925	\$70,000	\$-	\$-	\$-	-	\$4,584,875	Y		
0	"	Zhongyuan International Venture Capital Co., Ltd.	2	"	100,000	100,000	70,000	100,000	1.09	"	Y		
0	"	Zhongfu Investment Co.,	2	"	50,000	50,000	50,000	50,000	0.55	"	Y		
0	"	Prorit	2	"	150,000	150,000	27,252	-	1.64	"	Y		
0	"	RVC	2	"	380,413	315,798	176,726	-	3.44	"	Y		
0	"	Ritfast	2	"	355,600	349,600	212,346	-	3.81	"	Y		
1	Hutek Corporation	Ritek	3	318,210	500,000	250,000	211,500	-	2.73	530,351		Y	
2	Ritdisplay	Ritfast	1	440,783	240,000	-	-	-	-	734,638			

Note 1: Based on "Company Operating Procedures of Endorsement and Guarantee", the total amount of guarantee provided is 50% of the current net value. For each company, the total amount of guaran

Note 2: The relationship between the collaterals/guarantee provider and the counter-party is as follows:

- (1)The company with business transaction
- (2)The Company owns directly or indirectly over 50% ownership of the investee company.
- (3)The investee company owns directly or indirectly over 50% ownership of the Company。
- (4)The Company owns directly or indirectly over 90% ownership of the investee company.
- (5)Companies that guarantee each other in accordance with the provisions of the contract between its peers or co-creators based on the needs of undertaking works.
- (6)Company that guaranteed by all the contributing shareholders according to the shareholding ratio due to the joint investment relationship.
- (7)In accordance with the consumer protection law, the joint guarantee of performance for the sale contract of pre-sale houses among peers.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 3: Marketable securities held (excluding investment subsidiaries, affiliated enterprises and joint venture control part)

Holding Company	Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	End of the year of 2018				Notes
				Shares (1,000)	Carrying Value	Percentage of Ownership (%)	Fair Value	
RITEK	iST Technology Co., Ltd	None	Financial assets at fair value through profit or loss-current	279	\$12,471	-	\$12,471	
	SPDR Health Care Index ETF Fund	"	"	2	5,685	-	5,685	
	China Trust Global Stock Income Fund	"	"	200	1,610	-	1,610	
	Yuanta Emerging Asia USD Bond Fund	"	"	100	942	-	942	
	Taishin Smart Life Fund	"	"	450	4,028	-	4,028	
	Taishin JPMorgan Chase Emerging Markets	"	"	300	6,180	-	6,180	
	Nasdaq Biotech IBB ETF Fund	"	"	2	5,372	-	5,372	
	Shin Kong Global Bond Fund USD	"	"	15	4,607	-	4,607	
	Capital China Income Balanced Fund	"	"	200	1,617	-	1,617	
	Total				<u>\$42,512</u>		<u>\$42,512</u>	
	I-Chiun Precision Industry Co., Ltd.	The chairman of our company is a director of this	Financial assets at fair value through other comprehensive gain and loss-noncurrent	275	\$2,596	0.14	\$2,596	
	China TeleVision Co., Ltd.	None	"	188	976	0.12	976	
	Giantplus Technology Co., Ltd.	"	"	1,804	17,608	0.41	17,608	
	Sunplus Technology Co., Ltd.	"	"	2,904	32,671	0.49	32,671	
	GIGASTORAGE CORPORATION	"	"	265	1,967	0.08	1,967	
	Innolux Display Group	"	"	1,201	11,678	0.01	11,678	
	Total				<u>\$67,496</u>		<u>\$67,496</u>	
Zhongyuan International Venture Capital Co., Ltd.	Asia Pacific Investment Grade Government Bond Index Fund(A)	None	Financial assets at fair value through profit or loss-current	200	\$1,734	-	\$1,734	
	Fuh Hwa China New Economy Balance Fund	"	"	217	1,996	-	1,996	
	O-BANK NO. 1 REITs	"	"	100	856	-	856	
	Total				<u>\$4,586</u>		<u>\$4,586</u>	
	Legend Crown Investment Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	1,820	\$48,012	5.20	\$48,012	
	China TeleVision Co., Ltd.	"	"	256	1,329	0.17	1,329	
	O-View Technology Co., Ltd.	The subsidiary is the legal director of this company	"	726	9,308	9.17	9,308	
	Huazhi Venture Capital Co., Ltd.	The subsidiary is the legal director of this company	"	16	163	3.26	163	
	Total				<u>\$58,812</u>		<u>\$58,812</u>	

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 3: Marketable securities held (excluding investment subsidiaries, affiliated enterprises and joint venture control part)

Holding Company	Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	End of the year of 2018				Notes
				Shares (1,000)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Zhongfu Investment	O-BANK NO. 1 REITs	None	Financial assets at fair value through profit or loss-current	100	\$856	-	\$856	
	GREEN RICH TECHNOLOGY CO., LTD.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	27	\$95	0.27	\$95	
	Mutual-Tek Industries Co., Ltd	"	"	87	2,027	0.12	2,027	
	True Test Technology Inc.	"	"	322	1,663	1.01	1,663	
	Total				<u>\$3,785</u>		<u>\$3,785</u>	
AimCore	Hsin Kuang Steel Company Limited	None	Financial assets at fair value through profit or loss-current	99	\$3,079	0.03	\$3,079	
	Taishin Financial Holding Co., Ltd. Special Stock E	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	400	\$21,280	0.08	\$21,280	
	Pan Cai Co., Ltd.	"	"	108	2,898	0.34	2,898	
	Total				<u>\$24,178</u>		<u>\$24,178</u>	
Ricare	TCB Money Market Fund	None	Financial assets at fair value through profit or loss-current	496	\$5,035	-	\$5,035	
Ritdisplay	HANPIN ELECTRON CO., LTD.	None	Financial assets at fair value through profit or loss-current	27	\$802	0.03	\$802	
	Innolux Display Group	"	"	1,075	10,449	0.01	10,449	
	EPOCH Technology Co., Ltd.	"	"	80	3,170	0.24	3,170	
	WIWYNN CORPORATION	"	"	2	554	-	554	
	Total				<u>\$14,975</u>		<u>\$14,975</u>	
	Pan Cai Co., Ltd	None	Financial assets at fair value through other comprehensive gain and loss-current	254	\$6,815	0.79	\$6,815	
U-tech	TCB Monetary fund	None	Financial assets at fair value through profit or loss-current	1,000	\$10,146	-	\$10,146	
	UPAMC NEW ASIAN TECHNOLOGY AND ENERGY FUND	"	"	502	7,197	-	7,197	
	Yuanta New ASEAN Balance Fund	"	"	500	4,355	-	4,355	
	UPAMC DynaStrategy Global Mlt-Asst	"	"	1,000	7,772	-	7,772	
	Total				<u>\$29,470</u>		<u>\$29,470</u>	

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 3: Marketable securities held (excluding investment subsidiaries, affiliated enterprises and joint venture control part)

Holding Company	Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	End of the year of 2018				Notes
				Shares (1,000)	Carrying Value	Percentage of Ownership (%)	Fair Value	
U-tech	BIONET CORP.	The subsidiary is the supervisor of the company	Financial assets at fair value through profit or loss-noncurrent	704	\$18,587	1.42	\$18,587	
	PAIHO SHIH HOLDINGS CORPORATION	None	"	2,626	106,344	0.90	106,344	
	Genesis Genetics Asia Corp.	"	"	116	3,188	0.48	3,188	
	Taiwan Name Plate Co., Ltd.	"	"	939	25,782	4.80	25,782	
	Hsin Kuang Steel Company Limited	"	"	280	8,708	0.09	8,708	
	Total				<u>\$162,609</u>		<u>\$162,609</u>	
	Chang Hong Co., Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	500	\$7,185	0.41	\$7,185	
	Handa Venture Capital Co., Ltd.	"	"	1,614	27,425	21.55	27,425	
	Wanda Venture Capital Co., Ltd.	"	"	5,000	47,248	14.93	47,248	
	H&QAP Greater China Growth Fund, L.P.	"	"	-	8,390	2.67	8,390	
	Total				<u>\$90,248</u>		<u>\$90,248</u>	
Glory Days Services Ltd.	PAIHO SHIH HOLDINGS CORPORATION	None	Financial assets at fair value through profit or loss-noncurrent	215	\$8,720	0.07	\$8,720	
	Taiwan Paiho Co., Ltd	"	"	65	3,204	0.02	3,204	
	Total				<u>\$11,924</u>		<u>\$11,924</u>	
	Legend Crown Investment Ltd.	None	Financial assets at fair value through other comprehensive gain and loss-noncurrent	3,430	\$90,561	9.80	\$90,561	

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached table 4: Acquisition or disposed of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital

Company name	Marketable securities type and name	Financial statement account	Counter-party	Relationship	Beginning balance		Acquisition		Disposal				Ending balance		Notes
					Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Selling Price	Carrying Cost	Gain (Loss) on Disposal	Shares (in thousand)	Amount	
U-TECH	HouJu Energy Development Co., Ltd.	Investment accounted for using equity method	-	-	-	-	32,468	390,300	-	-	-	-	32,468	390,300	-
AimCore Technology	HouJu Energy Development Co., Ltd.	Investment accounted for using equity method	-	-	-	-	11,059	132,940	-	-	-	-	11,059	132,940	-

Note: the ending balance is the initial acquisition cost, which has been written off due to the preparation of consolidated financial statements.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 5: Purchase and sale of goods from or to related parties reaching NT\$ 100 million or more than 20% of the paid-in capital or more

Purchaser /seller	Counter-party	Relationship with the counter-party	Transaction				Differences in transaction terms compared to general transactions and reasons		Notes/accounts receivable		Notes
			Purchases (sales)	Amount	Percentage of total purchases(sales)	Credit term			Balance	Percentage of total notes/accounts receivable(payable) (%)	
							Unit price	Credit term			
RITEK	AMI	The company is the ultimate holding company of this company	(Sales)	\$(399,827)	4	75 Day	None	None	\$-	-	
	Conrexx	The company is the ultimate holding company of this company	(Sales)	(365,922)	4	75 Day	"	"	32,240	2	
	Max Online	Invested company accounted for using equity method	(Sales)	(260,675)	3	150 Day	"	"	93,022	6	
	Kunshan RITEK	The company is the ultimate holding company of this company	(Sales)	(195,568)	2	60 Day	"	"	18,618	1	
	Total			<u>\$(1,221,992)</u>	<u>13</u>				<u>\$143,880</u>	<u>9</u>	
	RVC	The company is the ultimate holding company of this company	Purchases	\$822,676	9	60~90 Day	"	"	\$600,988	38	
	Prorit Corporation	Invested company accounted for using equity method	Purchases	162,260	2	150 Day	"	"	(246,294)	22	
				<u>\$984,936</u>	<u>11</u>				<u>\$354,694</u>	<u>60</u>	
Kunshan RITEK	Kunshan Hutek	Affiliated subsidiary	(Sales)	<u>\$(240,455)</u>	<u>3</u>	90~120 Day	"	"	<u>\$994</u>	<u>-</u>	
RiTdisplay Corporatio	Kunsha Hutek	Others	Purchases	<u>\$395,978</u>	<u>4</u>	90 Day	The specifications of	30-90 days for non-related parties	<u>\$(130,818)</u>	<u>12</u>	

Note: The method of disclosure is based on sales or purchase, and its relative transactions will not be disclosed separately.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 6: Accounts receivable from related parties reaching NT\$ 100 million or more than 20% of paid-in capital:

Company name	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent year	Allowance for bad debts
					Amount	Action taken		
RITEK CORPORATION	RVC	The company is the ultimate holding company	\$600,988	-	\$335,560	Collecting based on the financial situation of this company	\$-	\$-
RITEK CORPORATION-Long-term receivables	PVNEXT Corporation	Invested company accounted for using equity method	108,000	-	-	"	-	-
RITEK CORPORATION-Long-term receivables	RVC	The company is the ultimate holding company of this company	168,630	-	-	"	-	-
Zhongfu Investment-Other receivables	RITEK	Parent company	179,000	-	-	"	-	-
Prorit Corporation	RITEK	Parent company	245,610	-	-	"	-	-
Prorit Corporation-Other receivables	RITEK	Parent company	125,094	-	-	"	-	-
Kunshan Hutek	RiTdisplay	Other related party	133,147	-	-	"	-	-
AimCore Technology-Lease payments receivable	RITEK	Parent company	121,256	-	-	-	-	-

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NTS 1,000)

Attached Table 7: Information on the name and location of the invested company (excluding invested companies in Mainland China)

Unit: NTS 1000

Investor Company	Investee Company	Location	Main Business activities	Initial investment amount		Held by the company			Current gain (loss) of the investee	Investment gain (loss) recognized by the company	Notes
				Ending of 2018	Ending of 2017	Number of shares (in thousand)	Shareholding rate %)	Carrying amount			
RITEK Technology	Affluence	B.V.I.	Investment and holding of various production enterprises	\$1,210,982	\$1,210,982	34,648	100.00	\$619,098	\$(19,438)	\$(19,438)	
	ART	B.V.I.	Investment and holding of various production enterprises	838,418	838,418	26,652	100.00	496,050	(38,002)	(38,002)	
	GoldenRiver	U.S.A.	Venture capital investment	13,035	13,035	378	23.14	7,414	-	-	
	Max Online	B.V.I.	Investment and holding of various production enterprises	5,171,711	5,250,107	156,293	100.00	1,760,584	(312,296)	(357,651)	
	RGI	Cayman	Investment and holding of various production enterprises	2,271,829	2,271,829	60,404	100.00	283,673	(27,974)	(27,974)	
	Ritrax	Britain	Trademark rights company	174,716	174,716	179	7.46	83,351	(1,427)	(10,474)	
	Score High	B.V.I.	Investment and holding of various production enterprises	5,579,771	5,579,771	171,737	100.00	1,554,739	(253,633)	(261,406)	
	Sky Chance	Samoa	Investment and holding of various production enterprises	63,716	63,716	2,100	100.00	37,325	(9,552)	(9,552)	
	Zhongyuan Venture Capital	Taiwan	Venture capital investment	2,888,864	2,888,864	40,391	100.00	462,978	19,709	19,709	
	Zhongfu Investment	Taiwan	General investment	2,597,976	2,597,976	105,851	100.00	246,448	(6,983)	(6,983)	
	FineSil Technology Inc.	Taiwan	Manufacturing and sales of chemical materials	42,956	-	4,257	48.93	35,042	(17,312)	(7,355)	
	PV Next Corporation	Taiwan	Manufacturing of electronic components and batteries	901,200	901,200	36,048	43.12	27,749	(51,900)	(25,896)	
	HOLI ENERGY CORPORATION	Taiwan	Energy technology	1,000	1,000	100	100.00	986	1	1	
	AimCore Technology	Taiwan	Manufacturing of electronic components	157,248	157,248	14,564	21.27	459,878	(21,303)	(4,531)	
	PRORIT Corporation	Taiwan	Electronic industry	3,123,997	3,123,997	269,031	85.87	923,594	47,537	40,820	
	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	388,917	388,917	32,489	22.26	394,524	68,677	15,283	
	RICARE CORPORATION	Taiwan	Management consulting industry	81,000	51,000	8,100	100.00	61,292	(6,110)	(6,110)	
	Ritfast Corporation	Taiwan	Electronic industry	56,419	56,419	5,575	34.84	53,895	(9,138)	(4,591)	
	Ritdisplay Corporation	Taiwan	Manufacturing and processing of organic light-emitting diode	7,834,368	7,834,368	27,795	46.24	602,521	340,578	159,806	
	RiteDia Co., Ltd.	Taiwan	Lighting equipment manufacturing	100,000	100,000	1,000	100.00	7,741	153	153	
Zhongfu Investment	AimCore Technology	Taiwan	Manufacturing of electronic components	96,015	96,015	2,288	3.34	87,152	27,066		
	RITEK Technology	Taiwan	Manufacturing of silicon wafer and integrated circuit chemical materials	56,282	56,282	2,955	22.48	31,939	(16,237)		
	PRORIT Corporation	Taiwan	Electronic industry	2,545	2,545	283	0.09	963	48,649		
	Ritfast Corporation	Taiwan	Electronic industry	132,700	132,700	193	1.20	23,744	(9,138)		
Zhongchuang	ECHEM HIGHTECH CO., LTD.	Taiwan	Manufacturing of silicon wafer and integrated circuit chemical materials	37,719	37,719	2,021	15.38	21,852	(16,237)		
	PRORIT Corporation	Taiwan	Electronic industry	378,112	378,112	31,063	9.91	110,262	48,649		
	CASHIDO Corporation	Taiwan	Manufacturing of electronic components	65,325	76,574	2,424	30.30	42,760	26,924		
	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	75,351	75,351	3,778	2.59	77,731	59,749		
	Ritfast Corporation	Taiwan	Electronic industry	230,180	230,180	212	1.32	22,791	(9,138)		
AFFLUENCE	Ritrax	Britain	Trademark rights company	1,006,461	1,006,461	971	40.46	618,978	(1,427)		
ART	AMI	USA	Sales of optical discs	423,780	423,780	6,100	100.00	397,249	(12,954)		
Max Online	Ritpower (yangzhou) Co., Ltd	Mainland China	Solar module manufacturing	1,289,839	1,289,839	42,600	65.01	805,288	(250,463)		
	Chongqing Xinhua Multimedia Development Co., Ltd.	Mainland China	Manufacture and marketing of optical discs	183,212	183,212	5,880	49.00	-	-		
	Kunshan Hutek	Mainland China	Manufacture and marketing of optical discs	2,118,900	2,118,900	70,000	85.37	905,521	(146,203)		
RGI	Conrexx	Netherlands	Sales of optical discs	750,610	750,610	12	100.00	136,180	(953)		
	Ritrax	Britain	Trademark rights company	185,404	185,404	1,250	52.08	133,227	(1,427)		
	RME	Germany	Sales of optical discs	391,800	391,800	1,000	100.00	-	(1,811)		
SCORE HIGH	RVC	Vietnam	Manufacture and marketing of optical discs	4,246,235	4,246,235	140,279	100.00	1,365,364	(214,691)		
	Kunshan Hutek	Mainland China	Manufacture and marketing of optical discs	363,240	363,240	12,000	14.63	155,181	(146,203)		
Conrexx	RiTS Solar	Netherlands	Sales of solar energy products	EUR0	EUR353	-	-	-	-		

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NTS 1,000)

Attached Table 7: Information on the name and location of the invested company (excluding invested companies in Mainland China)

Unit: NTS 1000

Investor Company	Investee Company	Location	Main Business activities	Initial investment amount		Held by the company			Current gain (loss) of the investee	Investment gain (loss) recognized by the company	Notes
				Ending of 2018	Ending of 2017	Number of shares (in thousand)	Shareholding rate %	Carrying amount			
Kunshan Hutek	Kunshan RITEK	Mainland China	Sales of optical discs	CNY900	CNY900	1,000	100.00	-	CNY806		
RiteDia Corporation	CASHIDO Corporation	Taiwan	Manufacturing of electronic components	4,529	4,800	58	0.73	781	26,924		
PVNEXT Corporation	Ritpower (yangzhou) Co., Ltd	Mainland China	Solar module manufacturing	287,730	287,730	10,000	15.26	158,427	(250,463)		
Sky Chance	Team Diy RITEK LATIN AMERICA	Malaysia America	Trading industry	58,920	58,920	4,080	51.00	40,568	(3,497)		
			Sales of paint	4,490	-	150	100.00	-	(609)		
PRORIT Corporation	Arlewood	B.V.I.	Investment holding	1,850,407	1,850,407	57,412	100.00	406,928	(3,787)		
	Ritdisplay Corporation	Taiwan	Manufacturing and processing of organic light-emitting display	52,888	52,888	4,713	7.84	138,068	340,444		
	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	94,622	94,622	8,579	5.88	129,548	68,677		
Arlewood	Kunshan Protek Co. Ltd	Mainland China	Electronic industry	USD 45,223	USD 45,223	-	100.00	387,922	(3,326)		
	Prorit Corporation, Vietnam Ltd.	Vietnam	Electronic industry	368,611	368,611	-	100.00	18,997	(462)		
Ricare Co., Ltd.	FANG HIS CORPORATION	Taiwan	Management consulting industry	10,000	10,000	1,000	100.00	1,244	(345)		
Ritdisplay Corporation	Ritdisplay Corporation	Taiwan	Electronic industry	200,000	200,000	4,622	28.89	44,691	(9,138)		
	PVNEXT Corporation	Taiwan	Electronic industry	90,000	90,000	3,600	4.31	-	(51,900)		
	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	4,750	5,143	511	0.35	7,711	68,677		
AimCore Technology	Ritdisplay Corporation	Taiwan	Manufacturing and sales of electronic materials, etc.	89,446	89,446	46	0.29	-	(9,138)		
	U-Tech Media Corporation	Taiwan	Manufacture and marketing of optical discs	102,573	47,064	11,861	8.12	122,624	59,749		
	Ritdisplay Corporation	Taiwan	Electronic industry	76,278	73,083	4,933	8.21	161,297	340,444		
	ARMOR INVESTMENT GROUP CORP.	Samoa	Investment holding	207,588	207,588	6,500	100.00	115,239	(18,258)		
	HouJu Energy Development Co., Ltd.	Taiwan	Solar energy	132,940	-	11,059	25.08	141,085	87,395		
ARMOR	AimCore Technology(Yangzhou)	Mainland China	Conductive glass	207,588	207,588	-	100.00	115,239	(18,258)		
U-Tech Media Corporation	Dollars cultural and creative industry company	Taiwan	Cultural and creative industries	145,500	120,500	11,257	100.00	98,412	(3,216)		
	PVNEXT Corporation	Taiwan	Solar cell manufacturing	290,000	290,000	11,600	13.88	-	(51,900)		
	Ritdisplay Corporation	Taiwan	Touch panel manufacturing	123,584	73,585	5,046	31.54	48,790	(9,138)		
	PRORIT Corporation	Taiwan	Electronic industry	23,653	23,653	1,971	0.63	6,744	48,649		
	Ritdisplay Corporation	Taiwan	Manufacturing and processing of organic light-emitting display	36,111	36,111	4,986	8.29	121,180	340,444		
	Havard Industries Co., Ltd.	Taiwan	Real estate development and sale	5,000	5,000	500	100.00	4,160	(504)		
	HouJu Energy Development Co., Ltd.	Taiwan	Renewable energy self-use power generation equipment industry	390,300	-	32,468	73.64	414,200	87,395		
	Jade Investment Services Ltd.	BVI	Investment holding	399,051	399,051	11,685	100.00	599,415	29,981		
	Crystal Investment Overseas Ltd.	BVI	Investment holding	-	455,094	-	-	-	(128)		
	AimCore Technology	Taiwan	Manufacturing of electronic components	2,064	-	104	0.15	3,915	(21,303)		
HouJu Energy Development Co., Ltd.	Hou Cheng Trading Co., Ltd.	Taiwan	Renewable energy self-use power generation equipment industry	1,000	1,000	100	100.00	949	(24)		
Jade Investment Services Ltd.	Glory Days Services Ltd.	BVI	Investment holding	479,531	479,531	13,920	100.00	596,702	29,936		
Glory Days Services Ltd.	U-Tech Media Korea Co., Ltd.	Korea	Manufacture and marketing of optical discs	164,062	164,062	1,156	100.00	165,425	(1,066)		

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 8:

1. Information on investments in Mainland China

Unit: NT\$ 1000

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
Chongqing Hsinhua Multimedia Development Co., Ltd.	Blank recording disc, etc	USD12,000	註1	\$205,918			\$205,918	\$-	49.00%	\$-	\$-	
				USD5,880	\$-	\$-	USD5,880					\$-
Kunshan Hutek Corporation	"	USD82,000	"	\$2,674,127	\$-	\$-	\$2,674,127	\$(146,203)	100.00%	\$(146,203)	\$1,060,701	\$-
				USD82,000			USD82,000					
Ritpower (yangzhou) Co., Ltd	Solar module	USD65,529	"	\$1,305,615			\$1,305,615	\$(250,463)	65.01%	\$(162,826)	\$805,288	
				USD42,600	\$-	\$-	USD42,600					\$-

Investee in Mainland China	Accumulative amount of investment remitted from Taiwan to the mainland at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Chongqing Xinhua Multimedia Development Co., Ltd.	USD5,880	USD5,880	
Kunshan Hutek Corporation	USD82,000	USD99,400	\$5,501,850
Ritpower (yangzhou) Co., Ltd	USD42,600	USD43,000	

Note 1: Investment method: investing in Mainland China through a third area company (MAXONLINE)

2. The following significant transactions with investee in Mainland China directly or indirectly through the third area, with the price, payment terms, unrealized gain(loss):

- (1) Purchase (sale) of goods: None.
- (2) Property transactions: No significant property transactions.
- (3) The ending balance of the notes/bills endorsement guarantee/collateral and its purpose: please refer to Attached Table 2 for details.
- (4) The maximum balance, ending balance, interest rate range and total interest for the current period of financing: None.
- (5) Other transactions that have a significant impact on the profit(loss) of the current period or the financial situation: None.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 8-1: PVNEXT Corporation

1. Information on investments in Mainland China

Unit: NT\$ 1000

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
Ritpower (yangzhou) Co., Ltd	Solar module	USD65,529	Direct investment	\$287,730 USD10,000	\$-	\$-	\$287,730 USD10,000	\$(250,463)	15.26%	\$(38,221)	\$158,427	\$-

Investee in Mainland China	Accumulative amount of investment remitted from Taiwan to the mainland at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ritpower (yangzhou) Co., Ltd	USD10,000	USD10,000	\$14,146 (Note 1)

Note 1: The amount of investment has exceeded the ceiling on investments in Mainland China imposed by the Investment Commission of MOEA due to the continuous loss of PVNEXT Corporation.

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 8-2: AimCore Technology

1. Information
on investment
in Mainland
China

Unit: NT\$ 1000

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
AimCore Technology Co., Ltd.(Yangzhou)	Production and sales of conductive glass	USD6,500	Note1	\$207,588 USD6,500	\$-	\$-	\$207,588 USD6,500	\$(18,258)	100.00%	\$(18,258)	\$115,239	\$-

Investee in Mainland China	Accumulative amount of investment remitted from Taiwan to the mainland at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
AimCore Technology Co., Ltd.(Yangzhou)	USD6,500	USD8,000	\$1,565,597

Note 1: Investment method: investing in Mainland China through a third area company (ARMOR)

Parent Company Only financial statements of RITEK CORPORATION. (Continued)
(Unless otherwise specified, the unit shall be in NT\$ 1,000)

Attached Table 8-3: Prorit Corporation

1. Information on
investment in
Mainland China

Unit: NT\$ 1000

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan at the beginning of current year	Amount of investment remitted or recovered during the current period		Accumulated amount of remittance from Taiwan at the end of current year	Current profit (loss) of the invested company	Shareholding ratio of the company's investment (direct or indirect)	Investment income (loss) recognized in the current period	Book value of investment at the end of the period	Investment income remitted back to Taiwan as of the current period
					Remitted	Recovered						
Kunshan Protek Co. Ltd	Plastic precision injection	USD45,223	Note 1	\$1,480,325 USD45,223	\$-	\$-	\$1,480,325 USD45,223	\$(3,326)	100.00%	\$(3,326)	\$387,922	\$-

Investee in Mainland China	Accumulative amount of investment remitted from Taiwan to the mainland at the end of this period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Kunshan Protek Co. Ltd	USD45,223	USD45,223	\$642,287 (Note 2)

Note 1: Investment method: investing in Mainland China through a third area company (Arlewood)

Note 2: The amount of investment has exceeded the ceiling on investments in Mainland China imposed by the Investment Commission of MOEA due to the continuous loss of Prorit Corporation.

RITEK CORPORATION

1. Detailed Statement of Cash and Cash Equivalents

31-Dec-18

Unit: NTD/Foreign currency 1,000

Item	Summary		Amount
Cash on hand			\$829
Deposit in bank			
Demand deposits			119,697
Foreign currency deposits			
	Amount in original currency	Exchange rate	
USD	9,772	30.66	299,607
JPY	12,683	0.28	3,505
EUR	3,597	34.95	125,701
AUD	101	21.54	2,169
HKD	609	3.89	2,373
GBP	5	38.69	185
CHF	156	31.08	4,841
RMB	1,337	4.45	5,944
Fixed deposit			10,000
Cash in transit			
	Amount in original currency	Exchange rate	
USD	347	30.66	10,700
Total			<u>\$585,551</u>

RITEK Technology Co., Ltd.

2. Detailed statements of notes receivable and accounts receivable, net

31-Dec-18

Unit: NTD 1,000

Name of customers	Summary	Amount	Notes
<u>Notes receivable</u>			
A Company		\$1,671	
	Payment for goods		
B Company	"	535	
C Company	"	361	
Others	"	273	(Those accounting for less than 5% of the balance of this accounts)
Total		<u>\$2,840</u>	
<u>Accounts receivable</u>			
A Company	Payment for goods	\$98,558	
B Company	"	93,621	
C Company	"	40,160	
Others	"	495,189	(Those accounting for less than 5% of the balance of this accounts)
		<u>727,528</u>	
Total		(119,100)	
Minus: allowance for damage		<u>\$608,428</u>	
Net amount		<u></u>	

Note: please refer to Notes 8 for details of the providing guarantee.

RITEK CORPORATION
3. Detailed statement of inventory
31-Dec-18

Unit: NTD 1,000

Item	Amount		Notes
	Cost	Net realizable value	
Raw materials and supplies	\$404,988	\$290,005	Please refer to the inventory description in Note 4 for the accounting method of the Net realizable value
Semi-finished products and work in-process	819,426	753,778	
Finished products	160,263	146,087	
Inventory of merchandise	16,764	14,943	
Inventory in transit	<u>81,406</u>	<u>77,672</u>	
Total	1,482,847	<u><u>\$1,282,485</u></u>	
Minus: Provision for inventory depreciation and slow-moving losses	<u>(200,362)</u>		
Net amount	<u><u>\$1,282,485</u></u>		

RITEK CORPORATION

4. Detailed change statement of financial assets at fair value through other comprehensive gain and loss-noncurrent
From January 1 to December 31, 2018

Unit: NTD 1,000

	Beginning balance		Increase in current period		Decrease in current period		Evaluation adjustment	Reclassify to long-term	Ending balance		Provision of guarantee or pledge	Notes
	Number of shares or sheets	Fair value	Number of shares or sheets	Amount	Number of shares or sheets	Amount	Amount	Amount	Number of shares or sheets	Fair value		
Invested company												
<u>Stocks</u>												
GIGASTORAGE CORPORATION and so on	-	\$156,047	-	\$-	-	\$(31,924)	\$(45,139)	\$(11,488)	-	\$67,496	Note 8	
(Those with balance of investment less than NT \$100,000,000)												
Total		<u>\$156,047</u>		<u>\$-</u>		<u>\$(31,924)</u>	<u>\$(45,139)</u>	<u>\$(11,488)</u>		<u>\$67,496</u>		

RITEK CORPORATION
5. Details of investment changes accounted for using equity method (domestic)
From January 1 to December 31, 2018

Unit: NTD 1,000

Name	Beginning balance		Increase in current period			Decrease in current period			Ending balance			Market price or net equity value		Provision of guarantee or pledge	Notes
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount		Number of shares (in thousands)	Amount		Number of shares (in thousands)	Shareholding ratio	Amount	Unit price	Total price		
Zhongfu Investment Co., Ltd.	105,851	\$118,471		\$1,675 1,762,787	Note 1 Note 9		\$1,636,485	Note 1	105,851	100.00%	\$246,448	\$2.58	\$273,560	None	
Zhongyuan International Venture Investment Co., Ltd.	40,391	438,992		19,944 666,127	Note 1 Note 9		662,085	Note 1	40,391	100.00%	462,978	11.40	460,309	"	
RiTdisplay Corporation	19,437	448,579	8,358	175,268 -	Note 1 Note 2		7,720 13,606	Note 1 Note 3	27,795	46.24%	602,521	24.49	680,661	"	
U-Tech Media Corporation	32,489	410,768		44,439	Note 1		41,189 19,494	Note 1 Note 3	32,489	22.26%	394,524	15.09	490,432	Note 6	
Prorit Corporation	269,031	888,450		52,054	Note 1		16,910	Note 1	269,031	85.87%	923,594	3.49	939,144	Note 7	
AimCore Technology	14,564	467,012		13,315	Note 1		11,711 8,738	Note 1 Note 3	14,564	21.27%	459,878	38.12	580,097	Note 8	
PVNEXT Corporation	36,048	55,590					27,841	Note 1	36,048	43.12%	27,749	0.28	10,166	None	
RiteDia Corporation	10,000	7,585		156	Note 1	9,000	-	Note 10	1,000	100.00%	7,741	7.75	7,751	"	
Ricare corporation	5,100	37,402	3,000	30,000	Note 4		6,110	Note 1	8,100	100.00%	61,292	7.57	61,292	"	
Holi Energy Company Limited	100	985		1	Note 1				100	100.00%	986	9.86	986	"	
Rifast Corporation	5,575	57,690		796	Note 1		4,591	Note 1	5,575	34.84%	53,895	9.67	53,895	"	
Finesil Technology Inc.	-	-	1,648	31,466	Note 4		7,912	Note 1	4,257	48.93%	35,042	8.23	35,042	"	
			2,609	11,488	Note 5										
Subtotal		2,931,524		2,809,516			2,464,392				3,276,648				

Note 1: Amount accounted for using equity method.

Note 2: Distribution of stock dividends.

Note 3: Distribution of cash dividends.

Note 4: Capital increase/acquisition for this year.

Note 5: Transfers from financial assets at fair value through other comprehensive gain and loss.

Note 6: Partial shareholdings provided as guarantee for bank borrowings and endorsement of subsidiaries, with an amount of NT \$266,956,000.

Note 7: Partial shareholdings provided as guarantee for bank borrowings and endorsement of subsidiaries, with an amount of NT \$205,983,000.

Note 8: Partial shareholdings provided as guarantee for bank borrowings and endorsement of subsidiaries, with an amount of NT \$387,893,000.

Note 9: Holding of the parent company's shares by subsidiary, as treasury shares adjustment

Note 10: Reduction of capital to cover loss.

RITEK CORPORATION
5.1 Details of investment changes accounted for using equity method (overseas)
From January 1 to December 31, 2018

Unit: NTD 1,000

Name	Beginning balance		Increase in current period			Decrease in current period			Ending balance			Market price or net equity value		Provision of guarantee or pledge	Notes
	Number of shares (in thousands)	Amount	of shares (in thousands)	Amount		Number of shares (in thousands)	Amount		Number of shares (in thousands)	Shareholding ratio	Amount	Unit price	Total price		
Affluence International Co. Ltd. (B.V.I.)	34,648	\$640,334					\$21,236	Note 1	34,648	100.00%	\$619,098	\$17.87	\$619,098	None	
Ritek Group Inc. (Cayman)	60,404	324,145					40,473	Note 1	60,404	100.00%	283,672	4.59	276,955	"	
Max Online Ltd.	158,942	2,238,963				2,649	399,983 78,396	Note 1 Note 2	156,293	100.00%	1,760,584	10.96	1,713,699	"	
Score High Group Ltd.(B.V.I.)	171,737	1,809,168		12,391	Note 1		266,820	Note 1	171,737	100.00%	1,554,739	9.08	1,559,451	"	
ART Management Ltd. (B.V.I.)	26,652	542,364		9,296	Note 1		55,610	Note 1	26,652	100.00%	496,050	15.92	424,440	"	
Ritrax Corporation Ltd. (U.K.)	179	94,157					10,806	Note 1	179	7.46%	83,351	60.20	10,779	"	
Sky Chance International Corp.	2,100	47,027					9,702	Note 1	2,100	100.00%	37,325	17.77	37,325	"	
GoldenRiver Investment	378	6,571		843	Note 1				378	23.14%	7,414	72.93	27,570	"	
Subtotal		<u>5,702,729</u>		<u>22,530</u>			<u>883,026</u>				<u>4,842,233</u>				
Total		<u>\$8,634,253</u>		<u>\$2,832,046</u>			<u>\$3,347,418</u>				<u>\$8,118,881</u>				

Note 1: Amount accounted for using equity method.

Note 2: Cash returned from capital reduction.

Note 3: Adjustments for changes in shareholding ratio.

Note 2: Refund of pre-paid shares.

Note 5: Distribution of cash dividends.

Note 6: sold in this year.

RITEK CORPORATION
6. Detailed statement of short-term borrowings
31-Dec-18

Unit: NTD/Foreign currency 1,000

Type of borrowings	Description	Ending balance	Term of contract	Interest rate range	Financing quota	Pledge or guarantee	Notes
<u>Bank borrowings</u>							
Taishin International Bank	Operating revolving fund	\$76,000	Within one year	Note	\$300,000	Please refer to Note 8	
	A/R Purchase	14,000	"	"	100,000	"	
HUA NAN BANK	Operating revolving fund	100,000	"	"	100,000	"	
JihSun Bank	Operating revolving fund	62,000	"	"	120,000	"	
Far Eastern International Bank	Operating revolving fund	96,000	"	"	100,000	"	
Chang Hwa Bank	Operating revolving fund	211,500	"	"	225,000	"	
	L/C maturity borrowings	4,429	"	"	100,000	"	
Hsinchu Branch of TCB	Operating revolving fund	109,889	"	"	160,000	"	
	Operating revolving fund	50,111	"	"		"	
	L/C maturity borrowings	433,678	"	"	US\$20,000	"	
Shanghai chung kang branch	L/C maturity borrowings	244,529	"	"	250,000	"	
	Total	<u>\$1,402,136</u>					

Note: Interest rate range is 1.1063%~4.4456%

RITEK CORPORATION
7. Detailed statement of notes payable and accounts payable
31-Dec-18

Unit: NTD 1,000

Name of customers	Summary	Amount	Notes
<u>Notes payable</u>			
A Company	Payment for goods	\$7,947	
B Company	"	6,245	
C Company	"	5,417	
D Company	"	3,882	
E Company	"	3,677	
F Company	"	3,518	
Others	(those accounting for less than 5% of the balance of this account)	33,798	
Total		<u>\$64,484</u>	
<u>Accounts payable</u>			
A Company	Payment for goods	\$0	
A Company	Payment for goods	\$91,431	
B Company	"	48,901	
C Company	"	34,226	
Others	Payment for goods (those accounting for less than 5% of the balance of this account)	280,358	
Total		<u>\$454,916</u>	

RITEK CORPORATION
8. Detailed statement of long-term borrowings
31-Dec-18

Unit: NTD 1,000

Creditor	Summary	Amount of borrowings	Term of contract	Interest rate (%)	Pledge or guarantee	Notes
SHANGHAI COMMERCIAL & SAVINGS BANK	From August 29, 2014, the first year is the grace period, and from the second to the fifth year, the principal and interest will be amortized monthly in 48 installments according to the annuity method.	\$29,660	103.08.29~108.09.29 August 29, 2014 ~ September 29, 2019	Note	See Note 8 for details	
SHANGHAI COMMERCIAL & SAVINGS BANK	From April 28, 2016, the first year is the grace period, and from the second to the fifth year, the principal and interest will be amortized monthly in 48 installments according to the annuity method.	20,730	105.04.28~108.04.29 April 28, 2016-April 29, 2019	"	"	
SHANGHAI COMMERCIAL & SAVINGS BANK	The first year is the grace period, and from the second to the fifth year, the principal and interest will be amortized monthly in 16 installments according to the annuity method.	112,500	106.07.18~111.07.18 July 18, 2017 ~ July 18, 2022	"	"	
SHANGHAI COMMERCIAL & SAVINGS BANK	The first year is the grace period, and from the second to the fifth year, the principal and interest will be amortized monthly in 16 installments according to the annuity method.	200,000	107.11.14~112.11.14 November 14, 2018 ~ November 14, 2023	"	"	
Yuanta Bank	The bank loan will be repaid in equal semiannual installments (\$50,000 thousand per installment for the first to fifth installments), the last installment of \$250,000 thousand will be paid on the due date.	400,000	106.09.15~109.09.15 September 15, 2017 ~ September 15, 2020	"	"	
Taishin International Bank	The bank loan will be in equal three-month installments, with a decreased amount of NT\$ 9 million for every installment. The remaining will be paid off when it matures.	691,000	107.08.31~109.08.31 August 31, 2018 ~ August 31, 2020	"	"	
Taishin International Bank	Principal repayment in one lump upon maturity.	320,000	107.09.07~108.12.31 September 07, 2018-December 31, 2019	"	"	
King's Town Bank	Pay interest monthly and repay the principal at a fixed amount of NT\$12.5 million per quarter. The remaining will be paid off when it matures.	125,000	106.06.19~108.06.19 June 19, 2017 ~ June 19, 2019	"	"	
King's Town Bank	Pay interest monthly and repay the principal at a fixed amount of NT\$12.5 million per quarter. The remaining will be paid off when it matures.	175,000	107.06.28~109.06.28 June 28, 2018 ~ June 28, 2020	"	"	
Taiwan Cooperative Bank	Pay interest monthly and repay the principal at a fixed amount of NT\$3,038,320 per quarter (including principal and interest).	145,612	107.02.22~112.02.22 February 22, 2018 ~ February 22, 2023	"	"	
Taiwan Cooperative Bank	Average monthly amortization of principal and interest according to the annuity method	228,698	107.08.31~112.08.31 August 31, 2018 ~ August 31, 2023	"	"	
Total		2,448,200				
Minus: Long-term borrowings due within one year		(784,531)				
Net amount		<u>\$1,663,669</u>				

Note: Interest rate 1.8780%~2.6400%

RITEK CORPORATION
9. Detailed statement of operating revenue
For the year of 2018

Unit: NTD 1,000

Item	Summary	Amount	Notes
Operating revenue	Storage media and other products	\$5,022,566	
Minus: Sales returns and		(28,247)	
Net operating revenue		<u>\$4,994,319</u>	

RITEK CORPORATION
10. Detailed statement of operating cost
For the year of 2018

Unit: NTD 1,000

Item	Amount	
	Subtotal	Total
Manufacturing business		
Opening inventory	\$250,364	
Plus: Purchased inventory of this period	1,490,277	
Transferred in		
Minus: Transferred out	(250,710)	
Closing inventory	<u>(319,775)</u>	
Raw materials consumed in the current period		\$1,170,156
Opening material inventory	84,154	
Plus: Purchased inventory of this period	436,815	
Transferred in	0	
Minus: Transferred out	(138,040)	
Materials sold		
Closing material inventory	<u>(85,213)</u>	
Materials consumed in current period		297,716
Direct labour costs		309,957
overhead		<u>1,081,618</u>
Manufacture cost		2,859,447
Plus: Opening work in process	908,545	
Purchase in current period	359,886	
Minus: Transferred out	(78,454)	
Semi-finished products sold		
Closing inventory of work in process	<u>(819,426)</u>	370,551
Cost of finished products		3,229,998
Plus: Opening finished products	220,770	
Purchase in current period	761,459	
Minus: Transferred out	(2,471)	
Closing finished products	<u>(160,263)</u>	819,495
Cost of production and marketing-Optical information products		4,049,493
Trading business		
Opening inventory	120,133	
Plus: purchased inventory of this period	803,400	
Transferred in	333,790	
Minus: Transferred out	(494)	
Closing inventory	<u>(98,170)</u>	
Cost of goods sold		1,158,659
Loss from inventory depreciation		<u>(102,562)</u>
Net operating cost		<u><u>\$5,105,590</u></u>

RITEK CORPORATION
11. Detailed statement of manufacturing cost
For the year of 2018

Unit: NTD 1,000

Item	Summary	Amount	Notes
Depreciation and depletion		\$411,769	
Salaries	Including overtime pay, pension, meals and employee benefits	190,206	
Utility fee		163,989	
Repair charge		74,035	
Processing fee		68,597	
Others	(those accounting for less than 5% of the balance of this item)	173,022	
		\$1,081,618	
Total			

RITEK CORPORATION
12. Detailed statement of selling expenses
For the year of 2018

Unit: NTD 1,000

Item	Summary	Amount	Notes
Salaries	Including overtime pay, pension, meals and employee benefits	\$41,254	
Transportation fee		70,564	
Premium		57,611	
Travelling expenses		10,629	
Others	those accounting for less than 5% of the balance of this item)	29,541	
		\$209,599	
Total			

RITEK CORPORATION
13. Detailed statement of administration expense
For the year of 2018

Unit: NTD 1,000

Item	Summary	Amount	Notes
Salaries	Including overtime pay, pension, meals and employee benefits	\$73,014	
Utility fee		10,968	
Depreciation and depletion		17,229	
Labor cost		8,493	
Various amortization		6,860	
Others	(those accounting for less than 5% of the balance of this item)	17,173	
Total		<u>\$133,737</u>	

RITEK CORPORATION
14. Detailed statement of research expenditure
For the year of 2018

Unit: NTD 1,000

Item	Summary	Amount	Notes
Salaries	Including overtime pay, pension, meals and employee benefits	\$24,153	
Repair fee		19,963	
Depreciation and depletion		19,351	
Utility fee		5,286	
Others	those accounting for less than 5% of the balance of this item)	24,243	
Total		<u>\$92,996</u>	