Stock code：2349

30th Anniversary since 1988

RiTEK

2018 ANNUAL REPORT

PUBLICATION DATE: APRIL 30, 2019
RITEK' S WEBSITE: http://www.ritek.com.tw/
Market Observation Post System: http://mops.twse.com.tw

I. Spokesman, Acting Spokesman

Spokesman: Yeh, Chwei-Jing/CEO

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

TEL: 03-5985696

E-mail: personal@ritek.com.tw

II. Headquarters, Branches, and Offices

Headquarters: No. 42, Guangfu N. Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan

TEL: (03) 598-5696

Factory: No. 42, Guangfu N. Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan

TEL: (03) 598-5696

III. Stock Transfer Institution

Name: Taishin International Bank Agent for Stock Affairs

Address: Floor B1, No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City

Website: Http://Www.Tsc.Com.Tw/

TEL: (02) 2504-8125

IV. Latest Financial Report and Independent Auditor

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

Name of Office: Ernst ＆ Young

Address: 9th Floor, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City (International Trade Building, Taipei World Trade Center)

Website: http://www.ey.com.tw/

TEL: (02) 2757-8888

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

1、 Trading place: Luxemburg Securities Exchange Company

2、 Search website: http://www.bourse.lu/

VI. Web Site:

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

Table of Content

I. Letter to Shareholders

Dear Shareholders,

According to the report of the research institute IDC, this is a new world for big data, and the volume of data will reach 163zb by 2025, which is more than 10 times that in 2016. Therefore, the market for the "ad archival disc" aimed at large (cloud) data centers, which is a safe storage media available for more than 50 years of retention, will undoubtedly grow.

The ad archival disc is a write-once storage medium with ultra large capacity, extremely high access speed, easy storage, and long life and can this significantly reduce the filing costs of large data centers and become the storage medium that attracts enterprises and governmental agencies requiring long-term data storage. Meanwhile, the disc market will transform from a consumer market to a high-tech b2b professional disc storage market. In the future, RITEK will aggressively pursue the technological development of this market and will continuously introduce recording disc technology with larger capacities to meet the demands of 5G high-speed clouding.

As for investment, Ritek Display Technology, which engages in OLED business, was listed in January 2019 and has become the 4th IPO Company of RITEK Group. It will aggressively develop new products using richer resources after IPO to consolidate operations.

RITEK will also continue to reinforce core technology and resources devoted to big data and materials and products related to smart networks and vehicles. Such efforts are expected to drive the operational momentum of RITEK along with the growth of relevant markets.

I. 2018 Overview

（1）Results of the business plan:

Annual turnover for 2018 was 9,358,661 thousand, with a loss of 1,234,502 thousand

（2） Financial performance and profitability analysis:

1、Financial performance: The net loss was 1,234,502 thousand in 2018, net cash inflow of operating activities 295,219 thousand, net cash inflow of investing activities 1,316,461 thousand, and net cash outflow of financing activities 1,236,097 thousand. The net increase of cash and cash equivalents was 387,317 thousands, and the balance of cash and cash equivalents at the end of the year was 3,497,738 thousand.

2、Profitability analysis: Please refer to pages 88-90 "Financial Analysis" in this annual report.

（3）Research and development conditions:

Please refer to pages 64-66 “Technology and Research Overview” in this annual report.

II. 2019 business plan overview

（1）Operation guidelines

1. Reinforce the development of data storage discs with high capacity and long lives.
2. Expand high-end disc productivity to cooperate with customer needs
3. Actively expand the processing of upstream high-end materials with high thresholds
4. Continuously develop group resource effects to meet the demand of the smart network and smart vehicle markets.

（2）Sales forecast and basis

According to the report of the Japanese research institute Fujiwara-Rothchild, Ltd., the disc demand for storage at the business end will be 14.3eb in 2019, indicating approximately 59% growth compared to 2018. High-end blue ray products and database filing discs represent the Company’s high-end product combination in 2019.

（3）Production and sales policies:

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

III. Future development strategies

1. Expand disc productivity with an ultra-high capacity and life in the next generation to correspond with the database filing demand.
2. Improve market competitiveness through resource integration under strategic alliances.
3. Activate group resources and reinforce the b2b market operation ability.

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

In light of variable material costs, making prudential adjustments with regard to product and customer combinations, high-end market expansion, and profitability improvement continues to be the challenge of RITEK.

1. Legal environment:

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

2. Macroeconomic environment:

   The disc industry is now facing the challenge of deceasing demand in the consumer market, but the archive disc “ad filing disc” demand aimed at the safe storage demands of huge (cloud) data over several decades is growing fast. RITEK must be more aggressive in increasing the weight of b2b database storage and backup filing discs in order to reinforce the operational momentum of RITEK in media business development. RITEK launched the mass production of the ad filing disc in July 2018, and the capacity will be continuously expanded in the future. The increased shipment of ad filing discs is expected to lead the surge of the positive operation momentum of RITEK.

Best Wishes

Chairman and CEO Yeh, Chwei-Jing

II. COMPANY PROFILE

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

II. Company history

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

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

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

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

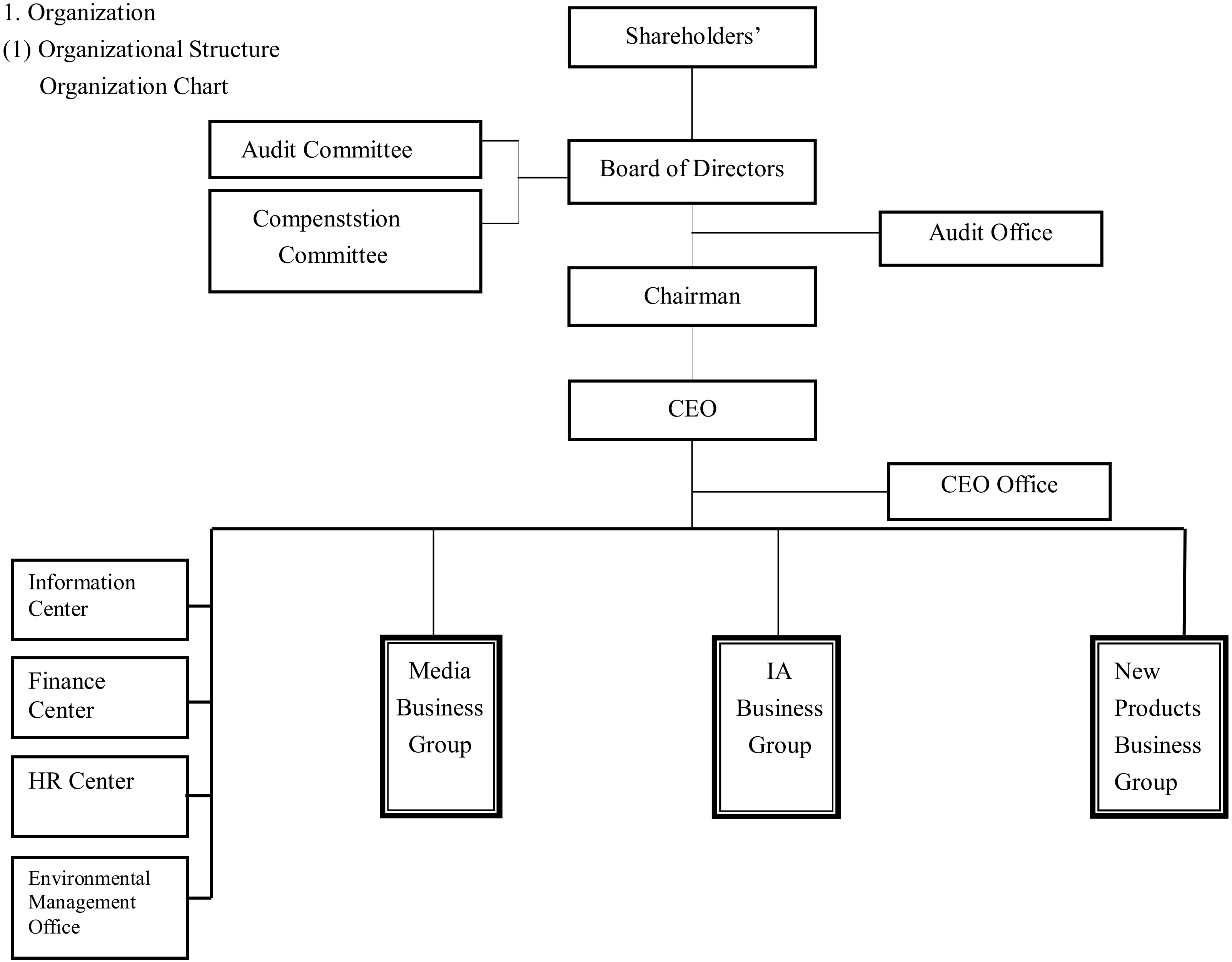
III. Significant changes in the operation or business mode and other important matters that may affect the shareholders' equity and their impact on the company in the most recent year and this year as of the date of publication: no such situation.

III. Corporate Governance Report

1. Organization

(1) Organizational Structure

Organization Chart



Businesses managed by major departments:

Department	Duties
CEO Office	(1) Collect all kinds of operational information to assist the CEO in developing all projects (2) Assist the Company in establishing the overall operation system and evaluating plans proposed by various departments to help form company decisions (3) Plan and promote matters regarding the reasonableness of corporate management
Audit Office	Periodically audit the operation and implementation of various company systems and subsequently file reports
Media Business Group	(1) Responsible for developing domestic and foreign customers and order consultation (2) Customer service, complaint management, and market information feedback as well as the handling of domestic and foreign businesses. (3) Responsible for the sales promotion of products of the operation unit and agency products (4) Manufacturing regarding all disc products of the Company (5) Pretreatment of the Company's products, customer source confirmation, and new products pretreatment technology development (6) Such daily routine management as onsite management, equipment, material and personnel, and methodology management. (7) Cross-department functional management regarding the quality, costs, and delivery time of all processes. (8) Such overall production management as company production plan preparation, productivity planning, production and sales coordination, onsite management, and standard productivity setting. (9) Plan and control inventory levels of the products in all plants (10) Adjust the productivity and production schedule in accordance with customer demands and arrange transportation as appropriate to reduce costs (11) Analyze and integrate system information and prepare annual plan guidelines (12) Such overall procurement matters as supplier development, selection, management and order distribution, and purchase follow-up and coordination.
IA Business Group	Small-size storage media production and development, magnetic technology research, and consumer products sales.
New Products Business Group	(1) Organic chemical production recycling, and project planning, evaluation, and development (2) New product development, promotion, and sales
Information Center	Responsible for the planning and maintenance of computer equipment and application systems inside the plant
Finance Center	(1) Such financial management as cash flow control, capital planning, application, and distribution (2) Responsible for such accounting management as accounting affairs, tax management, cost analysis, and budget preparation and control (3) Investment planning, promotion, implementation, and control, as well as analysis and evaluation, of all investment opportunities

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

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

(1) Directors and supervisors

1. Directors and supervisors

April 14, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding		Shares held in the name of others		Major Experiences & Education (note 3)	Selected Current Positions at RITEK and Other Companies	Other Managers, Directors, or Supervisors Regarding Spouse or Relative of Second Degree Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%					
Director	R.O.C.	Yeh, Chwei-Jing	Male	2017.6.13	3 years	78.04.07	25,323,986	1.43%	25,323,986	1.43%	17,263,589	0.98%	-	-	Chairman and CEO of RITEK Corporation, Master's degree from Stevens Institute of Technology	Note 1	Director	Yang, Wei-Feng	Couple
Director	R.O.C.	Yang, Wei-Feng	Female	2017.6.13	3 years	90.06.04	17,263,589	0.98%	17,263,589	0.98%	25,323,986	1.43%	-	-	Deputy CEO of RITEK Corporation EMBA, National Cheng Chih University	Note 2	Director	Yeh, Chwei-Jing	Couple
Director	R.O.C.	Chiang, Wei-Fong	Male	2017.6.13	3 years	96.06.13	-	-	-	-	-	-	-	-	President of Pacific Venture Group Master's degree from National Chung Hsing University	Note 3	None	None	None
Director	R.O.C.	Pan, Yan-Ming	Male	2017.6.13	3 years	106.6.13	-	-	-	-	-	-	-	-	Vice President of Investment, RITEK Corporation, Master's degree from Economic Graduate School, Chinese Culture University	Note 4	None	None	None
Independent Director	R.O.C.	Hsin, Chih-Hsiu	Female	2017.6.13	3 years	103.6.17	33,808	0.00%	33,808	0.00%	-	-	-	-	IMBA, North Virginia University, USA	Note 5	None	None	None
Independent Director	R.O.C.	Lin, Zu-Chia	Male	2017.6.13	3 years	106.6.13	-	-	-	-	-	-	-	-	PhD, Economics, UCLA, Deputy Minister of the Mainland Affairs Council	Note 6	None	None	None
Independent Director	R.O.C.	Chen, Jun-Chao	Male	2017.6.13	3 years	106.6.13	-	-	-	-	-	-	-	-	Managing Director of Maple Power Investment Co. PhD, Business Administration, Macau University of Science and Technology	Note 7	None	None	None

Note 1: Director Yeh, Chwei-Jing serves as Chairman and CEO of RITEK Corporation, Chairman and General Manager of Zhong Yuan International Venture Capital Co., Chairman and General Manager of Zhong Fu Investment Co., Chairman of Laibao Technology Co., Ltd., Chairman of U-Teck Media Technology, Chairman of AimCore Technology Co., Chairman of TaiyangHai Technology Co., Ltd., Chairman of Laiyang Technology Co., Ltd., Chairman and General Manager of LaiTsuan Technology Co., Ltd., Director of I-Chiun Precision Co., Representative of the Corporate Director of Lai Factory Co., Ltd., Representative of the Corporate Director of Ricare Co., Ltd., Director of Yu Sheng Investment Co., Director of Keynes Venture Capital, Representative of the Corporate Director of Affluence International Co., Ltd., Representative of the Corporate Director of ART Management Ltd. (B.V.I.), Representative of the Corporate Director of Max Online Ltd. (B.V.I.), Representative of the Corporate Director of Ritek Group Inc. (Cayman), Representative of the Corporate Director of Ritek Vietnam Company Ltd., Representative of the Corporate Director of RIC Corporation Ltd., Representative of the Corporate Director of Score High Group Ltd., and Representative of the Corporate Director of Sky Chance International Ltd

Note 2: Director Yang, Wei-Feng serves as Deputy CEO of RITEK Corporation, Representative of the Corporate Director of Zhong Yuan International Venture, Representative of the Corporate Director of Laibao Technology Co., Ltd., Director of U-Teck Media Technology, Representative of the Corporate Director of Cashido Co., Representative of the Corporate Director of Bolai Technology Co., Ltd., Representative of the Corporate Director of AimCore Technology Co., Chairman of Lai Factory Co., Ltd., Chairman of Ricare Co., Ltd., Chairman of Yu Sheng Investment Co., Chairman of Keynes Venture Capital , Chairman of Dollars Cultural and Creative Industry Company, Chairman of RITEK Cultural Foundation, Director of Finesil Technology Co., Ltd., Representative of the Corporate Director of HouJu Energy Development Co., Ltd., Representative of the Corporate Director of Lilai (Yangzhou) Optoelectronic Technology Co., Ltd., Representative of the Corporate Director of HAN-TA Venture Capital, Representative of the Corporate Director of WAN-TA Venture Capital, Representative of the Corporate Director of ART Management Ltd. (B.V.I.), and Representative of the Corporate Director of Jade Investment Services Ltd

Note 3:Director Chiang, Wei-FOng serves as Chairman of Black Marble Capital Management Co., Ltd., Director of Amtran Technology Co., Ltd, Supervisor of Hua Jung Co., Ltd., and Phihong Technology Co. Ltd.

Note 4:Director Pan, Yan-Ming serves as Chairman and Associate General Manager of RITEK Corporation, Representative of the Corporate Director of Zhong Fu Investment Co., Supervisor of Hua Chi Venture Capital Co., Representative of the Corporate Director of Laibao Technology Co., Ltd., Representative of the Corporate Director of E-Chemi Technology Co., Ltd., Representative of the Corporate Director of U-Teck Media Technology, Representative of the Corporate Director of Bolai Technology Co., Ltd., Representative of the Corporate Director of AimCore Technology Co., Supervisor of TaiyangHai Technology Co., Ltd., Representative of the Corporate Director of O-View Tech Co., Ltd., Representative of the Corporate Director of Laiyang Technology Co., Ltd., Representative of Supervisor of LaiTsuan Technology Co., Ltd., Representative of the Corporate Supervisor of Lai Factory Co., Ltd., Representative of the Corporate Supervisor of Ricare Co., Ltd., Chairman and General Manager of Lilai (Yangzhou) Optoelectronic Technology Co., Ltd., Representative of the Corporate Chairman of Kunshan Hutek Co., Ltd., Director of Champion Microelectronic Corp., Representative of the Corporate Director of O-View Technology Co., Ltd., Independent Director of Yield Microelectronics Corp., Supervisor of Finesil Technology Inc., Chairman of Kunshan Ritek Trading Co., Ltd.,Supervisor of CASHIDO Technology Co., Ltd., Representative of the Corporate Director of HouJu Energy Development Co., Ltd., Representative of the Corporate Director of Hou Cheng Technology Co., Ltd., and Chief Financial Officerof Advanced Media Inc.

Note 5:Independent Director Hsin, Chih-Hsiu serves as General Manager of HsinLing Enterprise Co., Executive Director of HsinHsiang Printing (Taiwan) Co., General Manager of HsinHsiang Creative (Huizhou) Printing Co., Ltd., Representative Director of Chinese Cross Strait Interchange Association, and Member of the Remuneration Committee of U-Teck Media Technology.

Note6:Independent Director Lin, Zu-Chia serves as Professor of the Economic Department, National ChengChi University, Independent Director of Laibao Technology Co., Ltd., and Member of the Remuneration Committee of Laibao Technology Co., Ltd

Note7:Independent Director Chen, Jun-Chao serves as Independent Director of AimCore Technology Co., Member of the Remuneration Committee of AimCore Technology Co., Member of the Remuneration Committee of Regent Hotels & Resorts, Executive Director of Maple Power Investment Co., and Director of Hong JinTechnology Co., Ltd.

2、Professional Qualification and Independence of Directors and Supervisors

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

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

（1） Not an employee of the company or any of its affiliates;

（2） Not a director or supervisor of the company or any of its affiliates (however, the same does not apply in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

（3） Not a natural-person shareholder who holds shares, together with those held by the person's spouse or minor children or held by the person under another's names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking as one of its top ten shareholders;

（4） Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

（5） Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranking among its top five shareholders;

（6） Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

（7） Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services, or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies Whose Stock Is Listed on the TWSE or Traded on the GTSM";

（8） Not having a marital relationship or a relation within the second degree of kinship to any other director of the company.

（9） Not been a person of any conditions defined in Article 30 of the Company Law; and

（10） Not a governmental or juridical person or its representative as defined in Article 27 of the Company Law.

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

April 21, 2019 Unit: share

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office		Date First Elected		Shareholding when Elected		Education and Experiences	Note	Other Manager, Directors or Supervisor in Relation of Spouse or Relative in Second Degree Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman & CEO	R.O.C.	Yeh, Chwei-Jing	Male	89.03.10	18,406,238	1.43%	13,667,698	1.06%	-	-	MD, Stevens Institute of Technology	note1	Deputy CEO	Yang, Wei-Feng	Couple
Deputy CEO	R.O.C.	Yang, Wei-Feng	Female	89.03.10	13,667,698	0.98%	18,406,238	1.43%	-	-	Deputy CEO of RITEK Corporation EMBA, National Cheng Chih University	note2	Chairman and CEO	Yeh, Chwei-Jing	Couple
President	R.O.C.	Lo, Chin-Zhong	Male	89.03.10	11,707	0.00%	-	-	-	-	Department of Engineering, Cheng Kung University	note3	None	None	None
President	R.O.C.	Chang, Shao-Dian	Male	89.06.19	620	0.00%	15	0.00%	-	--	Department of Chemical Engineering, Nanya Technical Institute	note4	None	None	None
President	R.O.C.	Chen, Hsin-Cheng	Male	92.04.01	N/A	-	-	N/A	-	-	Department of Business Administration, Feng Chia University	note5	None	None	None
Vice President	R.O.C.	Pan, Yan-Ming	Male	98.02.02	-	-	-	-	-	-	Master of Economic Graduate School, Chinese Culture University	note6	None	None	None
Director	R.O.C.	Shih, Gu-Fu	Male	96.06.30	-	-	-	-	-	-	MD, Department of Business Administration, Tsing Hua University	note7	None	None	None
Director	R.O.C.	Hu, Di-Tai	Male	96.06.30	4	0.00%	-	-	-	-	Department of English, Tamkang University	None	None	None	None

Note 1: Please refer to Note 1 of the information regarding Directors and Supervisors.

Note 2: Please refer to Note 2 of the information regarding Directors and Supervisors.

Note 3: President Luo, Ching-Zhong also serves as Chairman of Bolai Technology Co., Ltd., Chairman of Heli Energy Co., Ltd., Representative of the Corporate Director ofLaiTsuan Technology Co., Ltd., Representative of the Corporate Director of TiTS Solar B.V., Representative of the Corporate Director of Kunshan Protek Co., Ltd., Representative of the Corporate Director of Arlewood International Ltd., and Representative of the Corporate Director of Prorit Corporation, Vietnam Ltd.

Note 4: President Chang, Shao-Dian also serves as Representative of the Corporate Director of Ritek Vietnam Company Ltd. and Representative of the Corporate Director of RIC Corporation Ltd.

Note 5: President Chen, Shin-Cheng resigned on July 1, 2018.

Note 6: Please refer to Note 4 of the information regarding Directors and Supervisors.

Note 7: Director Shih, Gu-Fu also serves as Representative of the Corporate Supervisor of Zhong Yuan International Venture Capital Co., Representative of the Corporate Supervisor of Zhong Fu Investment Co., Supervisor of Bolai Technology Co., Ltd., Representative of the Corporate Director of Lilai (Yangzhou) Optoelectronic Technology Co., Ltd., and Representative of the Corporate Director of Team DIY hardware.

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

(1) Remuneration paid to Directors Unit: thousand dollars; housand

Title	Name	Director's Remuneration								The % of (A+B+C+D) over Net Income (note11)		Compensation Earned by a Directors Who is an Employee of the Company								The % of (A+B+C+D+E+F+G) over Net Income (note11)		Compensation Paid to Directors from Non-consolidated Affiliates (note 12)
		Compensation (A) (note2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (note3)		Allowance (D)(note4)				Salary, Bonus and Special Allowance (E)(note5)		Severance Pay and Pension (F)		Employees' Profit Sharing Bonus (G)(note6)						
		RITEK	From all Consolidated Entities (note7)	RITEK	From all Consolidated Entities(note7)	RITEK	From all Consolidated Entities (note7)	RITEK	From all Consolidated Entities(note7)	RITEK	From all Consolidated Entities(note7)	RITEK	From all Consolidated Entities (note7)	RITEK	From all Consolidated Entities(note7)	RITEK		From all Consolidated Entities(note7)		RITEK	From all Consolidated Entities(note7)	
																Cash	Stock	Cash	Stock			
Chairman	Yeh, Chwei-Jing	0	7,257	0	0	0	3,728	100	322	0	0	2,973	10,641	262	262	0	0	2,233	0	0	0	0
Director	Yang, Wei-Feng	0	0	0	0	0	250	100	328	0	0	1,322	3,216	68	177	0	0	216	0	0	0	0
Director	Chiang, Wei-Fong	0	0	0	0	0	0	100	120	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	Pan, Yan-Ming	0	0	0	0	0	0	100	334	0	0	2,278	2,278	108	108	0	0	0	0	0	0	0
Independent Director	Lin, Zu-Chia	0	0	0	0	0	697	100	130	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Chen, Jun-Chao	0	0	0	0	0	0	100	220	0	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Hsin, Chih-Hsiu	0	0	0	0	0	0	100	100	0	0	0	0	0	0	0	0	0	0	0	0	0

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

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

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

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

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

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

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

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

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

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

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

b. If the Director receives relevant compensation from a non-consolidated affiliate, the compensation received by the Director from non-consolidated affiliates shall be incorporated in column I of the compensation scale, and the name of column shall be changed to “all non-consolidated affiliates”.
c. Remuneration refers to pay, compensation (including compensation to employees, Directors, and Supervisor), and allowances.

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

(2) Compensation paid to the President and Vice Presidents

Unit: thousand dollars; thousand shares

Title	Name	Salary (A) (note 2)		Severance Pay and Pension (B)		Bonus and Special Allowance (C) (note 3)		Employees' Profit Sharing Bonus (D) (note 4)				The % of (A+B+C+D) over Net Income (note 9)		Other Manager, Directors or Supervisor in Relation of Spouse or Relative of Second Degree Kin (note 10)
								RITEK		From all Consolidated Entities (note 5)				
		RITEK	From all Consolidated Entities (note 5)	RITEK	From all Consolidated Entities (note 5)	RITEK	From all Consolidated Entities (note 5)	Cash	Stock	Cash	Stock	RITEK	From all Consolidated Entities (note 5)	
Chairman & CEO	Yeh, Chwei-Jing	12,034	22,289	699	820	300	390	0	0	2,239	0	0	0	None
Deputy CEO	Yang, Wei-Feng													
President	Lou, Ching-Zhong													
President	Chang, Shao-Dian													
President	Chen, Shin-Cheng													
Vice President	Pan, Yan-Ming													

Note : President Chen, Shin-Cheng resigned on July 1, 2018

Compensation Scale

Scale of Compensation paid to Each President and Vice President	Name of President and Vice President	
	RITEK (note7)	From all Consolidated Entities (note8)
Below 2,000,000	Yang, Wei-Feng、Chen, Shin-Cheng	Chen, Shin-Cheng
2,000,000（included）～5,000,000 (excluded)	Yeh, Chwei-Jing 、Luo, Ching-Zhong、Chang, Shao-Dian、Pan,	Yang, Wei-Feng、Luo, Ching-Zhong、Pan, Yan-Ming、Chang, Shao-Dian

	Yan-Ming	
5,000,000 (included) ～10,000,000 (excluded)		
10,000,000 (included) ～15,000,000 (excluded)		
15,000,000 (included) ～30,000,000 (excluded)		Yeh, Chwei-Jing
30,000,000 (included) ～50,000,000 (excluded)		
50,000,000 (included) ～100,000,000 (excluded)		
Over 100,000,000		
Total	6	6

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

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

Note 3: Refers to relevant business execution fees of Directors in the most recent year (including traffic allowance, special allowance, various allowances, dormitory and vehicle provisions, etc.). If the house, vehicle and other means of transportation, or personal expenditures are provided, the nature and cost of the asset provided, actual or imputed rent calculated by fair market value, gasoline, and other payments shall be disclosed. In the case of a driver at service, please specify the relevant compensation paid by the Company to the driver in the note, but this amount shall be excluded from the compensation. Meanwhile, the salary recognized according to IFRS 2 “Share-based Payment”, including employee stock options, restricted employee shares, and shares subscription for capital increment by cash shall also be included in the compensation.

Note 4: Refers to the amount of employee profit sharing bonus distributed to the President and Vice Presidents (including stocks and cash) upon resolution of the Board meeting in the most recent year shall be disclosed. If the amount cannot be estimated, then the proposed distribution amount shall be calculated by the proportion of actual distribution in the previous year, and the attached Table 1-3 shall be completed otherwise. Net income after tax refers to the net income after tax in the most recent year; when adopting IFRS, net income after tax refers to the net income after tax in an individual or separate financial report in the most recent year.

Note 5: Disclose the total amount of compensation paid by all companies (including the Company) in the consolidated report to the President and Vice Presidents of the Company.

Note 6: Disclose the names of the President and Vice Presidents in correspondent scale of total amount of all compensations paid to each President and Vice President of the Company.

Note 7: Disclose the names of the President and Vice Presidents in correspondent scale of total amount of all compensations paid by all companies (including the Company) in the consolidated report to each President and Vice President of the Company.

Note 8: Net income after tax refers to the net income after tax in the most recent year; when adopting IFRS, net income after tax refers to the net income after tax in an individual or separate financial report in the most recent year.

Note 9: a. Fill in the specific compensation amount received by the President and Vice President of the Company from non-consolidated affiliates in this column.
b. If the President and Vice Presidents receive relevant compensation from a non-consolidated affiliate, the compensation received by the President and Vice Presidents

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

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

＊The content of compensation disclosed in this table differs from the concept of income. Therefore, the purpose of this table is information disclosure instead of taxation.

(3) The employees' profit sharing bonus paid to managers in the most recent year: no employees' profit sharing bonus was paid in 2018.

(4) Compare the ratio of total amount of compensation paid to the Directors, Supervisors, President, and Vice Presidents over the net income after tax in the individual or separate financial report of the last two years and the policies, standards, and combination of compensation, the procedures of setting compensation, the correlation with operational performance, and future risks:

1. The analysis for ratio of total amount of compensation paid to Directors, Supervisors, President, and Vice Presidents over the net income after tax in the individual or separate financial report of the last two years:

Unit: thousand dollars

Year	The total amount of compensation paid to Directors, Supervisors, President and Vice President		Ratio of total amount over net income after tax (%)	
	RITEK	All Companies in Financial Report	RITEK	All Companies in Financial Report
2017	12,939	35,270	(note)	(note)
2018	13,433	38,834	(note)	(note)

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

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

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

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

4. Corporation governance

(1) Operation of the Board of Directors:

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

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)【B/A】(Note 2)	Note
Chairman	Yeh, Chwei-Jing	7	0	100%	
Director	Yang, Wei-Feng	5	2	71.43%	
Director	Chiang, Wei-Fong	6	1	85.71%	
Director	Pan, Yan-Ming	7	0	100%	
Independent Director	Hsin, Chih-Hsiu	7	0	100%	
Independent Director	Lin, Zu-Chia	6	1	85.71%	
Independent Director	Chen, Jun-Chao	6	1	85.71%	

1. The opinions of Independent Directors managed by the Company:
   (1) Matters set forth in Article 14-3 of the Securities Exchange Act
   (2) In addition to the preceding matters, other dissenting resolutions or qualified opinions by Independent Directors with records or written statements: see Table 1 below.
2. The date, session, content of proposal, reason for recusal, and voting status: no proposal of any of the board meetings was a conflict of interest that required recusal in 2018.
3. Measures taken to strengthen the functionality of the Board (e.g., establishment of the Audit Committee, information transparency enhancement) and implementation status:

(1) The Company established the Audit Committee to replace the functions of Supervisors on June 13, 2017. The Committee consists of three Independent Directors, and a meeting was convened at least once every quarter. Please refer to page 20 of this annual report for the functions exercised in accordance with the Securities Exchange Act, the Company Act, and other laws and the status of Audit Committee operations.

(2) The third session of the Remuneration Committee of the Company was immediately discharged after reelection in the shareholders' meeting on June 13, 2017. The fourth session of the Remuneration Committee was established upon resolution of the Board meeting on August 10, 2017. All Directors attending the meeting unanimously agreed to appoint Independent Director Lin, Zu-Chia, Independent Director Hsin, Chih-Hsiu, and Independent Director Chen, Jun-Chao as members of the Committee. The members of the Remuneration Committee recommended Independent Director Chen, Jun-Chao as the convener and chairman of the Remuneration Committee in the meeting dated August 10, 2017. Please refer to page 25 for the status of Remuneration Committee operations.

Meeting Dates	Resolutions and Subsequent Management	Resolutions Related to the Securities and Exchange Act §14-3	Any Independent Director with Dissenting or Qualified Opinions
2018.03.23 4th meeting, 12th session	(1) Reviewed 2018 business report and financial statements	V	None
	(2) Approved the 2017 proposal for covering losses		None
	(3) Approved the endorsement limit of the Company to subsidiaries		None
	(4) Approved the bank credit application		None
	(5) Approved the 2017 internal control system statement	V	None
	(6) Approved the establishment of internal control related documents	V	None
	(7) Approved the convening of the 2018 regular shareholders' meeting and reception of motions proposed by shareholders		None
	(8) Approved the appraisal of the external auditor's independence	V	None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2018.04.30 3rd special meeting, 12th session	(1) Approved the proposal concerning loss coverage	V	None
	(2) Approved the convening of the 2018 regular shareholders' meeting and reception of motions proposed by shareholders		None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2018.05.11 4th meeting, 12th session	(1) Due to the need for internal auditor rotation of Earnest and Young, the external auditors are planned to be changed to CPA Chang and Chi-Ming.	V	None
	(2) Approved the 2018 Q1 financial report		None
	(3) Approved the bank credit application		None
	(4) Approved the fund lending limit to subsidiaries		None
	(5) Approved the endorsement limit of the Company to subsidiaries		None

	(6) Approved the appraisal of the external auditor's independence	V	None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2018.07.18 4th special meeting, 12th session	(1) Approved the record dates of capital reduction and plan for stock conversion procedures	V	None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2018.08.10 5th meeting, 12th session	(1) Approved the amendment on performance management procedures		None
	(2) Approved 2018 annual salary of Directors, Supervisors, and managers		None
	(3) Approved the amendment on partial internal control related documents.	V	None
	(4) Approved 2018 Q2 financial reports		None
	(5) Approved the bank credit application		None
	(6) Approved the endorsement limit of the Company to subsidiaries		None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2018.11.09 6th meeting, 12th session	(1) Approved 2019 internal audit plan	V	None
	(2) Approved the amendment on partial internal control related documents.	V	None
	(3) Reviewed 2018 Q3 financial reports		None
	(4) Approved the bank credit application		None
	(4) Approved the endorsement limit of the Company to subsidiaries		None
	(5) Approved the fund lending limit to subsidiaries		None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		
2018.12.28 5th special meeting, 12th session	(1) Approved 2019 work plan of the Remuneration Committee		None
	(2) Approved the Company's business plan		None
	(3) Approved the endorsement limit of the Company to subsidiaries		None
	(4) Approved the establishment of "RITEK Corporation Reporting System"		None
	(5) Approved the amendment on partial internal	V	None

	control related documents.		
	(6) Approved the schedule of regular Board meetings in 2019		None
	Opinions of the Independent Director: none The management of the Company toward opinions of the Independent Director: none Resolved: agreed unanimously by all Directors attending the meeting		

Status of Independent Directors' Attendance in 2018 ●: Attendance in person；○: by proxy；※: Absence							
Session / Name	3rd regular meeting, 12th session	3rd special meeting, 12th session	4th regular meeting, 12th session	4th special meeting, 12th session	5th regular meeting, 12th session	6th regular meeting, 12th session	4th special meeting, 12th session
Hsin, Chih-Hsiu	●	●	●	●	●	●	●
Lin, Zu-Chia	●	●	●	●	○	●	●
Chen, Jun-Chao	○	●	●	●	●	●	●

(2) Audit Committee Meeting Status:

Seven regular meetings of the Audit Committee were convened in 2018. The Independent Directors' attendance status is shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance in person (%) 【B/A】(note)	Note
Independent Director	Hsin, Chih-Hsiu	6	1	85.71%	
Independent Director	Lin, Zu-Chia	6	1	85.71%	
Independent Director	Chen, Jun-Chao	6	1	85.71%	

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

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

Audit Committee	Important Resolutions
2018.03.23 3rd meeting, first session	(1) 2017 business report and financial statements (2) 2017 statement of internal control system (3) The preparation of internal control related documents (4) The appraisal of external auditor's independence
2018.05.11 4th meeting, first session	(1) 2017 Q1 consolidated financial reports (2) The exchange of independent auditor due to the internal adjustment of the CPA firm
2018.08.10 5th meeting, first session	(1) 2017 Q2 consolidated financial reports (2) The amendment of internal control related documents
2018.11.09 6th meeting, first session	(1) 2017 Q3 consolidated financial reports (2) Preparation of the 2019 internal audit plan (3) The amendment of internal control related documents

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

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

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

(1) The Company periodically convenes meetings of the Audit Committee, and the independent auditor, internal auditor, and relevant officers are invited to observe the meeting, as the case may be.

(2) The Audit Committee consists of all of the Company's Independent Directors. In addition to regular and special Board meetings, the financial, accounting, and internal audit officers may take the observation as a chance to contact and discuss matters with members of the Audit Committee, thus allowing Directors and members of the Audit Committee to control the internal flow and operational conditions of the Company. The audit unit conducts audit procedures every month and submits the summarized audit report to the Independent Directors and members of the Audit Committee by the end of the following month.

(3) The Audit Committee communicates with the independent auditors of the Company, aiming at the audited or reviewed financial statements and other relevant legal requirements, as well as reviewing the independence and competence of the independent auditor in term of the services provided.

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

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
1. Does the Company follow “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” to establish and disclose its corporate governance practices?	V		The Company has established “Corporate Governance Practice Principles” to protect the rights of shareholders, reinforce the functions of the Board of Directors, respect the rights of stakeholders, and enhance information transparency.	None
2. Shareholding Structure & Shareholders’ Rights （1）Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes, and litigation matters? If yes, have these procedures been implemented accordingly? （2）Does the Company possess a list of major shareholders and beneficial owners of these major shareholders? （3）Has the Company built and executed a risk management system and firewall between the Company and its affiliates? （4）Has the Company established internal rules prohibiting insider trading on undisclosed information?	V V V V		(1) The Company has a website and spokesperson, deputy spokesperson, and stock affairs and legal affairs departments to handle the suggestions, concerns, disputes, and complaints of shareholders. (2) The Company files the change of shares held by insiders, including Directors, Supervisors, managers, and shareholders holding 10% of shares or above on MOPS every month pursuant to laws. (3) The Company has established written regulations governing affiliates with business relationships pursuant to regulations of competent authorities and has a dedicated department to supervise relevant matters to ensure the compliance of their financial matters and businesses with the internal control system. (4) The Company has established its “Insider Trading Policy” to prohibit any insider from trading on undisclosed information, as well as provide internal training on this issue.	None None None None
3. Composition and Responsibilities of the Board of Directors （1）Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) The Company manages the composition of its board in accordance with the diversification policy of the “Corporate Governance Practice Principles”, and all directors have different backgrounds, genders, and work experience to strengthen the structure of the Board of Directors.	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Non-implementation and Its Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><th>Diversified Core Item / Name of Director</th><th>Gender</th><th>Management</th><th>Leadership</th><th>Industrial Knowledge</th><th>Finance & Accounting</th></tr>
<tr><td>Yeh, Chwei-Jing</td><td>M</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Yang, Wei-Feng</td><td>F</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Chiang, Wei-Fong</td><td>M</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Pan, Yan-Ming</td><td>M</td><td></td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Lin, Zu-Chia</td><td>M</td><td>V</td><td></td><td></td><td>V</td></tr>
<tr><td>Hsin, Chih-Hsiu</td><td>F</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Chen, Jun-Chao</td><td>M</td><td>V</td><td></td><td></td><td>V</td></tr>
</table></td><td></td></tr>
<tr><td>(2) Other than the Remuneration Committee, which is required by law, does the Company plan to set up other Board committees?</td><td>V</td><td></td><td>(2) The Company has established the Remuneration Committee and the Audit Committee and plans to set up other functional committees depending on future operation conditions to reinforce the supervision of the Board of Directors.</td><td>None</td></tr>
<tr><td>(3)Has the Company established a methodology for evaluating the performance of its Board of Directors on an annual basis?</td><td>V</td><td></td><td>(3) Although the Company has not yet established methods to evaluate the Board's performance, it complies with all relevant laws and regulations.</td><td>None</td></tr>
<tr><td>(4) Does the Company regularly evaluate the independence of its external auditors?</td><td>V</td><td></td><td>(4) The Company evaluates the independence of its external auditors at least once every year, and they were approved on March 24, 2017 and March 23, 2018 in the past two years (Note 1).</td><td>None</td></tr>
<tr><td>4. Has the Company established a full- (or part-) time corporate governance unit or personnel to be responsible for corporate governance affairs (including but not limited to furnishing information required for business execution by directors, handling matters related to board meetings and shareholders' meetings according to laws, handling corporate registration and</td><td>V</td><td></td><td>The Company has full-time personnel that handle corporate governance related matters, including furnishing information required for business execution by directors, handling matters related to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, recording minutes of board meetings and shareholders' meetings, etc.</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
amendment registration, recording minutes of board meetings and shareholders' meetings, etc.)?				
5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions regarding corporate responsibilities?	V		The Company has such dedicated personnel as a spokesperson and deputy spokesperson and a contact e-mail address provided on the Stakeholders Section of the Company's website available for stakeholders to use to give feedback or make complaints.	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed Taishin International Commercial Bank as its registrar for Shareholders' Meetings.	None
7. Information disclosure （1）Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status? （2） Does the Company use any other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors' conferences, etc.)?	V V		(1) The Company has established Chinese and English websites at http://www.ritek.com.tw to disclose information related to financial, business, stock affairs, and corporate governance. All information is disclosed on MOPS pursuant to laws, and the link to MOPS is available on our website. (2) The Company has a spokesperson and deputy spokesperson, as well as an English-language website, and designates staff to handle the filing of various financial and business data on MOPS both regularly and irregularly.	None None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices? (1)Rights of employees and employee solicitude: (2) Investor relations:	V V V		(1) The Company values the rights of employees and shows loving care to employees via employer and employee coordination meetings. Sexual harassment complaint and punishment regulations have been established to create a gender equality work environment; an employee welfare committee, pension fund system implementation, group insurance, and periodical physical checkups, as well as complete educational training and on-site restaurant, are provided to ensure welfare with regard to both work and life. (2) The Company treats shareholders based	None None None

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
	V		on fair and public principles. A complete spokesperson system has been established to provide complete communication channels with investors, and the material information and routine announcements of the Company are managed pursuant to such regulations.	None
(3) Supplier relations:	V		(3) The Company cooperates closely with important suppliers and has established a supplier assessment system to maintain good relationships, thus allowing important materials to be supplied in a timely manner.	None
(4) Rights of stakeholders:	V		(4) The Company has diversified channels to communicate with stakeholders and maintain the legal rights of both parties.	None
(5) Training records of Directors and Supervisors:	V		(5) The Company periodically provides courses and actively encourages Directors and Supervisors to undergo training.	None
(6) Implementation of risk management and evaluation measures:	V		(6) The Company has established various internal bylaws to conduct various forms of risk management and evaluation. Please refer to page 26 of this annual report for implementation status.	None
(7) The implementation of customer policies:			(7) The Company maintains good communication channels with customers to better understand customers' demands and track customer payments in order to control credit risks of customers while creating profits for the Company.	
(3) D&O purchasing for Directors:			(8) To satisfy the requirements of competent authorities and protect Directors, Independent Directors, and important managers, the Company has purchased D & O insurance to reinforce the protection of the rights of shareholders. All related information is disclosed on MOPS.	
9. The improvement status for the Corporate Governance Evaluation results announced by the Taiwan Stock Exchange (1) All the Directors of the Company have completed the training hours pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE-Listed and TPEx-Listed Companies."				

Assessment Item	Implementation Status (Note 1)			Non-implementation and Its Reasons
	Yes	No	Explanation	
(2) The Company has been improving the website's information, focusing on the assessment results of the recently announced corporate governance report. The Company has already reviewed the items available for improvement and is making improvements one by one. The list of major shareholders, reporting of unethical behavior, and special zone for stakeholders is disclosed on our website to understand and respond to the important corporate social responsibility issues that concern our stakeholders. (3) The Company has purchased D&O insurance for all Directors, which has not yet been reported to the Board of Directors and will be improved as a priority.				

Note 1: Evaluation of the independence of external auditors:

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

(4) For remuneration committee organized, the Company shall disclose its composition, functions and operation status:

1. Members of Remuneration Committee

Status	Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Independence Criteria（note1）	Number of Other Taiwanese	note

	Name	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	Public Companies Concurrently Serving as an Member of Remuneration Committee	
Independent Director	Lin, Zu-Chia	V		V	V	V	V	V	V	V	V	V	0	None
Independent Director	Xin, Chi-Show			V	V	V	V	V	V	V	V	V	1	None
Independent Director	Chen, Jun-Chao	V		V	V	V	V	V	V	V	V	V	2	None

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

(1) Not an employee of the company or any of its affiliates;

(2) Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary) .

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the GTSM";

（8）Nt been a person of any conditions defined in Article 30 of the Company Law; and

2. Information regarding the operation of the Remuneration Committee:
(1) The Company's Remuneration Committee has a total of three members.
(2) Term of office: from June 13, 2017 to June 12, 2020, two meetings of the Remuneration Committee were held in the most recent year (2018), and the qualification and attendance of members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance in Person (%) (B/A)	Note
Convener	Chen, Jun-Chao	2	0	100%	
Member	Xin, Chi-Show	2	0	100%	
Member	Lin, Zu-Chia	2	0	100%	
Other matters to be recorded: 1. If the Board of Directors dissents or revises the suggestions of the Remuneration Committee, the date, session, content of motion, results of Board meetings, and the handling of the Company of the Remuneration Committee's opinions: N/A 2. If members present objection or qualified opinions aimed at the resolutions of the Remuneration Committee with recorded or written statements, the date, session, content of motion, results of Board meetings, and the handling of the Company of the Remuneration Committee's opinions: N/A					

(5) Implementation of social responsibilities:

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
1. Corporate governance implementation		V	(1) Although the Company does not have corporate social responsibility policies or system, the Company still continuously fulfills its social responsibilities.	None
(1) Has the Company established corporate social responsibility policies or systems and does it review the implementation results?	V		(2) The Company promotes corporate social responsibility concepts through various meetings and educational training.	None
(2) Does the Company hold training sessions regarding its social responsibilities?	V		(3) The Office of the CEO and finance department are units dedicated to promoting and reporting handling situations to the Chairman.	None
(3) Has the Company established a unit dedicated to (tasked with) promoting corporate social responsibilities and has the Board of Director authorized an executive to manage and report the handling situation to the Board of Directors?	V		(4) The Company promotes corporate social responsibility policies and incorporates them with performance assessment through various meetings and educational training.	None

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
(4) Has the Company established reasonable compensation policies and incorporated its employee performance assessment system with social responsibility policies, as well as established a definite and effective reward and punishment system?				
2. Developing a sustainable environment (1) Is the Company devoted to enhancing the efficiency of using different resources and recycled materials with a minimum impact on environmental burden? (2) Has the Company established an environmental management system appropriate to its industrial features? (3) Does the Company pay attention to the impact of climate change on operational activities and establish greenhouse gas reduction, energy saving and carbon reduction strategies?	V V V		(1) The Company is devoted to enhancing the efficiency of using different resources to reduce the volume of materials and waste, as well as to reduce environmental pollution. (2) In addition to the promotion of environmental protection related laws, the Company is also committed to continuously provide and maintain legal compliance and an environmental, safe, and healthy work environment under ISO 14001 environmental management and OHSAS18000 occupational safety and health management. is the Company expects to become a sustainable international green corporation. (3) The Company mainly consumes electricity for its operations. To reduce its power consumption, the Company has especially installed energy saving related measures: compact fluorescent bulbs and control devices on FAB air conditioning equipment to ensure that they are the most power saving systems. Furthermore, equipment maintenance plans are established to reduce power consumption. The wastes created by the Company are volatile organics, and waste treatment is conducted before emission. An inspection company approved by the EPA also performs an inspection every year, and all the exhaust gas values are satisfactory to	None None None

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
			the statutory standards, with an extremely low impact on the air and earth.	
3. Public welfare maintenance				
(1) Has the Company established relevant management policies and procedures based on relevant laws, regulations, and international conventions on human rights?	V		(1) The Company follows all regulations of the Labor Standard Act to ensure the rights of employees. Regarding communication for labor disputes, two-way communication and coordination is adopted to protect the rights of employees. The Company pays attention to the working environment and safety of its employees.	None
(2) Has the Company established an employee complaint system and channel and does it manage them properly?	V		(2) Employee opinion exchange, a suggestion box, and a complaint hotline have all been set up on the intranet, and dedicated personnel are responsible for their management.	None
(3) Does the Company provide a safe and healthy work environment to its employees and periodically implement safety and health education to employees?	V		(3) The Company manages in accordance with the Labor Standards Act. Furthermore, the Company irregularly implements safety and health education and periodically conducts employee physical check-ups to understand the health conditions of its employees.	None
(4) Has the Company established a periodical employee communication system and does it notify employees of operational changes that may have a material impact?	V		(4) The Company periodically convenes labor management meetings and irregularly holds communication meetings explaining operational conditions to keep good communication with employees and ensure the rights of employees.	None
(5) Has the Company established an effective career competence training program?	V		(5) All departments and HR arrange educational training based on the expertise and physical and mental conditions of employees and encourage employees to seek continuous study.	None
(6) Has the Company established relevant consumer right protection policies and complaint procedures aimed at R&D, purchasing, production, operation, and services flows?	V		(6) The Company has definite consumer right policies and consumer complaint procedures. All customer complaints are managed and traced case by case.	None
(7) Does the Company follow relevant laws, regulations,	V		(7) The Company is customer oriented to provide good products and high-quality services as required by	None

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
and international standards regarding product and service marketing and labeling? (8) Does the company evaluate the records of suppliers regarding their impact to the environment and society before dealing with the supplier? (9) Is a provision that the Company may terminate or cancel the contract anytime when a supplier violates its corporate social responsibility policies, resulting in material influence on the environment and society included in the contract between the Company and major suppliers?			customers. (8) The Company requires that all suppliers must follow corporate social responsibilities and adopt a reasonable supply scope. A supplier is unqualified if it fails the evaluation. (9) Assessment and review are conducted in accordance with the "Regulations Governing Suppliers". For disqualification, the Company will request improvement by a deadline and cancel the qualification of the supplier if it fails reexamination to achieve the joint goal of promoting corporate social responsibilities by the Company and supplier together.	
4. Information disclosure Does the Company disclose important and reliable corporate social responsibility related information on its website, MOPS, etc.?	V		The Company has established a corporate social responsibility zone on its website to periodically update related information.	None
5. If the Company has established corporate social responsibility practice principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please explain the differences between the operation and principles: The Company has not yet established corporate social responsibility practice principles. However, the promotion of corporate governance, sustainable environment development, social welfare maintenance, and reinforcement of information disclosure comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.				
6. Other important information to facilitate the understating of corporate social responsibility operations: (1) The Company's employee recruitment and employment will not be influenced by gender, race, or nationality. We spare no effort to protect the rights of our employees. All employees are included in labor and national health insurances. The Company appropriates a pension fund reserve pursuant to laws and provides employees with a good work environment. (2) The Company follows environmental protection regulations and acquires the necessary permits to ensure compliance with governmental laws and reduce the impact on the environment. We are also working toward the goal of zero pollution. (3) Regarding community participation, the Company is integrated with community life via such actions as long-term community park adoption, through which dedicated individuals provide communities with comfortable and clean public spaces by cleaning, greening, and beautifying				

Assessment Item	Implementation Status			Non-implementation and its Reasons
	Yes	No	Summary	
their open areas. (4) As for social contribution, the Company periodically holds blood donation drives to inspire a social atmosphere and take in earnest its social responsibilities. (5) Aiming at social services and public welfare, the Company encourages employees to care for minority groups and participate in cultural education. The RITEK Cultural Foundation was established to sponsor cultural heritage activities for remote schools. (6) As for supplier relationships, the Company has established "qualified supplier management procedures" and relevant regulations. In addition to asking suppliers for close cooperation, the Company also periodically assesses suppliers to ensure on-time delivery, high quality, and good interaction. (7) Regarding investor relations and rights of stakeholders, the Company keeps smooth communication channels at all times, expands the spokesperson mechanism, and persists in the principle of good faith to announce public information in a timely manner in order to maintain the relationship with investors and the rights of stakeholders.				
7. If the Company's corporate social responsibility report has passed the verification of a relevant examination institution, please specify: Verification is planned and implemented according to the requirements of Assurance Principle No. 1 "Assurance of Non-historical financial information audit or review."				

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

Assessment Item	Implementation Status			Non-implementation and its Reason
	Yes	No	Summary	
1. Establishment of corporate conduct and ethics policy and implementation measures (1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and commitment regarding implementation of such policy from the Board of Directors and the management team?	V		(1) The Company has established the Code of Ethics and Business Conduct in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and actively fulfils its corporate conduct and ethics policy.	None
(2) Has the company established relevant policies that are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation, and complaint procedures in such policies?	V		(2) The Company's "Ethics Code" has a relevant system and guidelines to prevent unethical conduct. The Company periodically promotes the importance of ethical conduct to new employees in orientation training and to employees. The "Qualified Supplier Management and Assessment Regulations" have been established to allow purchase flow be more transparent and prevent unethical conduct. The internal audit unit also includes an important routine audit. Where unethical conduct occurs, the "Employee Reward and Punishment Regulations" shall govern.	None
(3) Has the company established appropriate compliance measures for the business activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice			(3) The Company has established the "Code	None

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

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

(11) The method for searching the Company's corporate governance practices and relevant bylaws: The Company has established "corporate governance practice principles", "the code of conduct", and "corporate conduct and ethical practices", which are published on our website http://www.ritek.com.tw/ to facilitate shareholders' searches.

(8)

Other important information to facilitate a better understanding of the Company's corporate governance:

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

Name and Title	Date	Hosted by	Course	Training Hours
Accounting officer: Shih, Gu-Fu	2018/11/22-2018/11/23	Taiwan Accounting Research and Development Foundation	Continuing training for accounting officer of issuer, security firm, and securities exchange	12
Accounting	2018/11/22-	Taiwan Accounting	Continuing education	12

manager: Wang, Wei-Li	2018/11/23	Research and Development Foundation	for accounting officer of issuer, security firm, and securities exchange	
Audit officer: Chang, Su-Chin	2018/04/19- 2018/04/19	Taiwan Accounting Research and Development Foundation	Audit control practices for corporate cost saving and competitive strategies	6
Audit officer: Chang, Su-Chin	2018/11/19- 2018/11/19	The Institute of Internal Auditors-Chinese Taiwan	A glimpse of the effects on corporate governance, internal control, and responsibilities of Directors and Supervisors from the revision of the Company Act	6
Auditor: Chang, Show-Zhu	2018/05/07- 2018/05/08	Taiwan Accounting Research and Development Foundation	Continuing training for internal auditors of public companies	12
Director Yeh, Chwei-Jing	2018/04/26	Securities and Future Institute	Corporate governance and securities laws and regulations	3
Director Yeh, Chwei-Jing	2018/12/21	Securities and Future Institute	A glimpse of the effects on corporate governance, internal control, and responsibilities of Directors and Supervisors from the revision of the Company Act	3
Director Yeh, Chwei-Jing	2018/12/21	Securities and Future Institute	Business considerations and legal risks analysis for business operation decisions	3
Director Yang, Wei-Feng	2018/04/26	Securities and Future Institute	Corporate governance and securities laws and regulations	3
Director Yang, Wei-Feng	2018/12/21	Securities and Future Institute	A glimpse of the effects on corporate governance, internal control, and responsibilities of Directors and Supervisors from the revision of the Company Act	3
Director Yang, Wei-Feng	2018/12/21	Securities and Future Institute	Business considerations and legal risks analysis for business operation	3

			decisions	
Director Chiang, Wei-Fong	2018/09/10	Securities and Future Institute	FSC latest version of corporate governance blueprint seminar – the "duties" and "powers" of Directors	3
Director Chiang, Wei-Fong	2018/12/21	Securities and Future Institute	A glimpse of the effects on corporate governance, internal control, and responsibilities of Directors and Supervisors from the revision of the Company Act	3
Director Chiang, Wei-Fong	2018/12/21	Securities and Future Institute	Corporate governance and securities laws and regulations	3
Director Pan, Yan-Ming	2018/02/08	Securities and Future Institute	Business acquisition practices and case analysis	3
Director Pan, Yan-Ming	2018/04/26	Securities and Future Institute	Corporate governance and securities laws and regulations	3
Independent Director Lin, Zu-Chia	2018/04/26	Securities and Future Institute	Corporate governance and securities laws and regulations	3
Independent Director Lin, Zu-Chia	2018/05/24	Securities and Future Institute	Business financial information analysis and decision application	3
Independent Director Xin, Chi-Show	2018/07/10	Securities and Future Institute	Shares trading law compliance conference for insiders of public and non-public companies	3
Independent Director Xin, Chi-Show	2018/08/03	Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading the business toward innovative value and sustainable direction	3
Independent Director Chen, Jun-Chao	2018/05/08	Securities and Future Institute	Latest version of the corporate governance blueprint summit for TPEx-listed companies	3
Independent Director Chen, Jun-Chao	2018/07/10	Securities and Future Institute	Shares trading law compliance conference for insiders of public and non-public companies	3
Independent	2018/12/21	Securities and Future	A glimpse of the effects	3

Director Chen, Jun-Chao		Institute	on corporate governance, internal control, and responsibilities of Directors and Supervisors from the revision of the Company Act	
Independent Director Chen, Jun-Chao	2018/12/21	Securities and Future Institute	Business considerations and legal risks analysis for business operation decisions	3

(9) Internal Control System Execution Status

1. Statement of Internal Control System

RITEK Corporation

Statement of Internal Control System

Date: March 29, 2019

Based on the findings of self-assessment, the Company states the following with regard to its internal control system during 2018:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance of the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws, and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Furthermore, the effectiveness of an internal control system may be subject to change due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component covers certain items. Please refer to the "Regulations" for the preceding items.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned Regulations.
5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2018, it has maintained an effective internal control system in all material aspects (including the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws, and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 29, 2019, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

RITEK Corporation

Chairman：Yeh, Chwei-Jing

CEO: Yeh, Chwei-Jing

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

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

（11）Major resolutions of the shareholders' meeting and board meetings in 2018 and as of the date this annual report was published:

１. Major resolutions of shareholders' meeting and implementation status

Date	Major Resolution and Implementation Status
2018.06.12	1. Acceptance of 2017 Business Report and Financial Statements. Implementation status: the votes in favor accounted for 96.85% of total shares present at the time of voting, motion was passed 7. Acceptance of proposal of 2017 loss covering Implementation status: the votes in favor accounted for 96.83% of total shares present at the time of voting, motion was passed, no dividend for year 2017. 8. Approval of loss covering by capital reduction Implementation status: the votes in favor accounted for 96.72% of total shares present at the time of voting, motion was passed. The registration for change in capital had been approved by the Ministry of Economic Affairs on August 9, 2018.

2. Major resolutions of Board meetings and implementation status:

Date/Session	Major Resolution	Implementation Status
2018.03.23 3rd meeting, 12th session	(1) Reviewed 2017 business report and financial statements (2) Approved 2017 loss covering (3) Approved matters regarding the endorsement/guarantee limit to subsidiaries (4) Approved the bank loan application (5) Approved 2017 statement of the internal control system (6) Approved the establishment of internal control related documents (7) Approved the convening of the 2018 Shareholders' meeting and accepting matters regarding motions proposed by shareholders (8) Approved the independence of the external auditor	Approved unanimously by all Directors attending the meeting
2018.04.30 3rd special meeting, 12th session	(1) Approved the loss covering (2) Approved the convening of the 2018 Shareholders' meeting and accepting matters regarding motions proposed by shareholders	Approved unanimously by all Directors attending the meeting
2018.05.11 4th meeting, 12th session	(1) Due to the need for internal auditor rotation of Earnest and Young, it is planned to change external auditors to CPA Chang and Chi-Ming	Approved unanimously by all Directors

	(2) Approved 2018Q1 business report and financial statements (3) Approved the bank credit application (4) Approved the fund lending limit to subsidiaries (5) Approved the endorsement limit of the Company to subsidiaries (6) Approved the independence of the external auditor	attending the meeting
2018.07.18 4th special meeting, 12th session	(1) Approved the record dates of capital reduction, shares swap, and plan for stock conversion procedures	Approved unanimously by all Directors attending the meeting
2018.08.10 5th meeting, 12th session	(1) Approved the amendment of performance management procedures (2) Approved the 2018 annual salary of Directors, Supervisors, and managers (3) Approved the amendment of partial internal control related documents. (4) Approved 2018 Q2 financial reports (5) Approved the bank credit application (6) Approved the endorsement limit of the Company to subsidiaries	Approved unanimously by all Directors attending the meeting
2018.11.09 6th meeting, 12th session	(1) Approved the 2019 internal audit plan (2) Approved the amendment of partial internal control related documents. (3) Reviewed 2018 Q3 financial reports (4) Approved the bank credit application (5) Approved the endorsement limit of the Company to subsidiaries (6) Approved the fund lending limit to subsidiaries	Approved unanimously by all Directors attending the meeting
2018.12.28 5th special meeting, 12th session	(1) Approved the 2019 work plan of the Remuneration Committee (2) Approved the Company's business plan (3) Approved the endorsement limit of the Company to subsidiaries (4) Approved the establishment of the "RITEK Corporation Reporting System" (5) Approved the amendment of partial internal control related documents. (6) Approved the schedule of regular Board meetings in 2019	Approved unanimously by all Directors attending the meeting
2019.03.29 7th meeting, 12th session	1) Reviewed 2018 business report and financial statements (2) Approved the proposal concerning 2018 loss covering (3) Approved the bank credit application (4) Approved matters regarding the endorsement/guarantee limit to subsidiaries (5) Approved 2018 statement of the internal control system (6) Approved the amendment of partial articles of the "Procedures for the Acquisition and Disposal of Assets" (7) Approved the amendment of partial articles of the "Procedures for Lending Funds to Others" (8) Approved the amendment of partial articles of the	Approved unanimously by all Directors attending the meeting

	"Procedures for the Endorsement/Guarantee" (9) Approved the independence of the external auditor (10) Approved the issuance of new shares by issuance of overseas depository receipt or private placement based on market conditions (11) Approved the convening of the 2019 Shareholders' meeting and accepting matters regarding motions proposed by shareholders.	

(12) Major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors during 2018 and as of the date this annual report was published: none.

(13) In 2018 and as of the date this annual report was published, the summary of resignations of related persons (including Chairman, President, accounting officer, finance officer, internal audit officer, and R&D officer):

Title	Name	Date on Board	Date of Resignation	Reason
President	Chen, Shin-Cheng	February 25, 1993	July 1, 2018	Retirement

5. CPA's Information

Accounting Firm	Name Of CPA	Audit Period	Note
Earnest & Yang	Chang, Chi-Ming	2018.01.01-2018.12.31	
	Hsu, Jung-Huang	2018.01.01-2018.12.31	

(1) Scale of Audit Fee

Unit: NTD thousand

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

1. If the non-audit fee paid to the independent auditor, independent audit firm, and its affiliates reached one-fourth of the audit, the amount of the audit and non-audit fee, as well as the content of non-audit services, shall be disclosed: none.
2. In case that the independent audit firm was replaced and the audit fee paid was less than the audit

fee in the previous year, the amount of the audit fee before and after the change and the reasons: none

3. If the audit fee was decreased 15% or more compared to the previous year, the decreased amount, percentage, and reason shall be disclosed: none.

6. Change of CPA: The independent auditors of 2018 financial statements has been changed from CPA Hung, Mao-Yi and Chang, Chih-Ming to CPA Chang, Chih-Ming and Hsu, Jung-Huang.

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

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

Title	Name	2018		As of April 14, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman& CEO	Yeh, Chwei-Jing	(6,917,748)	0	0	0
Director & Deputy CEO	Yang, Wei-Feng	(3,595,891)	0	0	0
Director & Vice President	Pan, Yan-Ming	0	0	0	0
Director	Chiang, We-Fong	0	0	0	0
Independent Director	Lin, Zu-Chia	0	0	0	0
Independent Director	Xin, Chi-Show	(16,504)	0	0	0
Independent Director	Chen, Jun-Chao	0	0	0	0
President	Lo, Ching-Zhong	(4,401)	0	0	0
President	Chen, Hsin-Cheng(Date of dismissal:2018.07.01)	(10,000)	0	N/A	N/A
President	Chang, Shao-Dian	(234)	0	0	0
Director	Shih, Gu-Fu	0	0	0	0
Director	Hu, Di-Tai	(2)	0	0	0

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

9. Related party relationship among 10 largest shareholders:

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between Shareholders		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	-
CitiBank (Taiwan) in custody for Norway Central Bank Investment Account	28,187,625	2.20%	None	None	None	None	None	None	
Fubon Life Insurance Co., Ltd.	28,012,052	2.18%	None	None	None	None	None	None	
Liao, Ying-Feng	19,826,000	1.54%	None	None	None	None	None	None	
Yeh, Chwei-Jing	18,406,238	1.43%	13,667,698	1.06%	None	None	Yang, Wei-Feng	Couple	-
American JP Morgan Chase Bank Taipei Branch entrusted with the custody advanced Stars fund company's funds advanced series aggregate Internationa l Equity Index Fund	18,016,185	1.40%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total Internationa l Stock Index Fund, a series of	17,786,423	1.39%	None	None	None	None	None	None	

Star Funds									
Yongfeng Commercial Bank Co., Ltd. is entrusted to the account of Fuhua Small and Medium Select Securities Investment Trust	16,000,283	1.25%	None	None	None	None	None	None	
CitiBank (Taiwan) in custody for DFA investment on diversified group emerging market core securities portfolio	14,529,095	1.13%	None	None	None	None	None	None	
Standard Chartered Bank in custody for ISHARES core MSCI emerging market ETF investment	13,678,583	1.07%	None	None	None	None	None	None	-
Yang, Wei-Feng	13,667,698	1.06%	18,406,238	1.43%	None	None	Yeh, Chwei-Jing	Couple	-

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

December 31, 2018 Unit: thousand shares %

Investee (note)	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Golden River	378	23.14	-	-	378	23.14
H&QAP Greater China Growth Fund, L.P.	-	-	-	2.67	-	2.67
Legend Crown Investment Ltd.	-	-	5,250	15.00	5,250	15.00

Investee (note)	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
Health Care Select Sector SPDR Fund	2	-	-	-	2	-
Team Diy	-	-	4,080	51.00	4,080	51.00
I-Chiun Precision Industry Co., Ltd.	275	0.14	-	-	275	0.14
Lilai Optoelectronic Technology Co., Ltd.	-	-	52,600	80.27	52,600	80.27
CTBC Global Dividend Appreciation Fund Inc	200	-	-	-	200	-
China Television Company, Ltd.	188	0.12	256	0.17	444	0.29
Epoch chemtronics Corp.,	-	-	80	0.24	80	0.24
Finesil Technology Co., Ltd.	4,257	48.93	-	-	4,257	48.93
Yuanta New ASEAN Balanced Fund	-	-	500	-	500	-
Yuanta Emerging Asia USD Bond Fund	100	-	-	-	100	-
TaiyangHai Technology Co., Ltd.	36,048	43.12	15,200	18.19	51,248	61.31
Taishin Financial Holding Co., Ltd. Preferred Stock E	-	-	400	0.08	400	0.08
Taishin Global Disruptive Innovation Fund	450	-	-	-	450	-
Taishin J.P.Morgan Emerging Markets IG Bond ETF Fund	300	-	-	-	300	-
Taiwan Paiho Limited,	-	-	65	0.02	65	0.02
Taiwan Name Plate Co., Ltd.	-	-	939	4.80	939	4.80
O-View Technology Co., Ltd.	-	-	726	9.17	726	9.17
TCB Taiwan Money Market Fund	-	-	496	-	496	-
TCB Taiwan Money Market Fund	-	-	1,000	-	1,000	-
Aim Core Technology Co., Ltd.	14,564	21.27	2,392	3.49	16,956	24.76
iShares Nasdaq Biotechnology ETF.	2	-	-	-	2	-
Asia Pacific (ex-Japan) Investment Grade Government Bond Index Fund Class A	-	-	200	-	200	-
Integrated Service Technology Inc.	279	-	-	-	279	-
Green Rich Technology Co.,Ltd	-	-	27	0.27	27	0.27
Chang Hong Energy Co., Ltd.	-	-	500	0.41	500	0.41
Houju Energy Development Co., Ltd.	-	-	43,527	98.72	43,527	98.72
Mutual-Tek Industries Co., Ltd.	-	-	87	0.12	87	0.12
Paiho Shih Holdings Corporation	-	-	2,841	0.97	2,841	0.97
Giant plus Technology Co., Ltd.	1,804	0.41	-	-	1,804	0.41
Sun plus Technology Co., Ltd.	2,904	0.49	-	-	2,904	0.49
BIONET CORP.	-	-	704	1.42	704	1.42
Gigastorage Corporation	265	0.08	-	-	265	0.08
E-Chemi Technology Co., Ltd.	-	-	4,976	37.86	4,976	37.86
UPAMC DynaStrategy Global Multi-Asset Fund	-	-	1,000	-	1,000	-
UPAMC New Asian Technology & Energy Fund	-	-	502	-	502	-
GGA Corp.	-	-	116	0.48	116	0.48
PRORIT CORPORATION	269,031	85.87	33,317	10.63	302,348	96.50
Fuh Hwa China New Economy Balance Fund	-	-	217	-	217	-

Investee (note)	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
CASHIDO Technology Co., Ltd.	-	-	2,482	31.03	2,482	31.03
HUA-CHIH Venture Capital	-	-	16	3.26	16	3.26
O-Bank No.1 Real Estate Investment Trust	-	-	200	-	200	-
Shin Kong Global Bond Fund USD	15	-	-	-	15	-
HSIN KUANG STEEL CO., LTD	-	-	379	0.12	379	0.12
Capital China Income Balanced	200	-	-	-	200	-
Innolux Corporation Ltd.	1,201	0.01	1,075	0.01	2,276	0.02
WAN-TA Venture Capital	-	-	5,000	14.93	5,000	14.93
U-tech Technology Co., Ltd.	32,489	22.26	24,729	16.94	57,219	39.20
HAN, TA Venture Capital	-	-	1,614	21.55	1,614	21.55
Han pin Electron Co., Ltd.	-	-	27	0.03	27	0.03
Pan colour Ink Co., Ltd	-	-	362	1.13	362	1.13
Wiwynn CORPORATION	-	-	2	-	2	-
RITFAST CORPORATION.	5,575	34.84	10,119	63.24	15,693	98.08
Ritdisplay Corporation	27,795	46.24	14,632	24.34	42,427	70.58
True Test Technology Co., Ltd	-	-	322	1.01	322	1.01
Total	398,322	326.92	232,958	513.56	631,280	840.48

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

IV. Information on capital raising activities

1. Capital and shares

（1）Capitalization Unit: thousand shares; thousand dollars

Year Month	Issue Price	Authorized Capital		Paid-in Capital		Not		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increa	Other
2018.08	10	3,400,000	34,000,000	1,284,158	12,841,579	Note 1	None	None

Note 1: Capital reduction of 482,634,230 shares for covering loss (Jing-Shan-Shou No. 10701093270 dated on August 9, 2018)

Type of Stock	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Common Shares	1,284,157,900 shares	2,115,842,100 shares	3,400,000,000 shares	-

Shelf registration system related information: NA

（2）Composition of Shareholders

April 21, 2019

Type of Shareholders / Quantity	Government Agencies	Financial Institution	Other Juridi cal Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number	3	32	154	189	151,982	152,360
Shareholding	731,074	65,988,108	22,639,508	185,946,433	1,008,852,777	1,284,157,900
Holding Percentage	0.06%	5.14%	1.76%	14.48%	78.56%	100.00%

（3）Distribution Profile of Share Ownership

Par Value at Ten dollars April 21, 2019

Shareholder Ownership	Number of Shareholders	Shareholding	Holding %
1 to 999	67,509	25,946,283	2.02 %
1,000 to 5,000	55,554	133,434,736	10.39%
5,001 to 10,000	13,832	102,150,428	7.95%
10,001 to 15,000	5,088	63,730,115	4.96%

15,001 to 20,000	2,469	44,224,554	3.44%
20,001 to 30,000	2,899	72,381,493	5.64%
30,001 to 40,000	1,270	44,872,286	3.49%
40,001 to 50,000	885	40,488,889	3.15%
50,001 to 100,000	1,582	111,741,791	8.70%
100,001 to 200,000	740	102,391,159	7.97%
200,001 to 400,000	307	85,033,527	6.62%
400,001 to 600,000	88	42,525,426	3.31%
600,001 to 800,000	46	31,782,562	2.47%
800,001 to 1,000,000	23	20,346,686	1.58%
Over 1,000,001	68	363,107,965	28.28%
Total	152,360	1,284,157,900	100.00%

Note: Preferred shares: none

（4）Major shareholders

April 21, 2019

Shares / Name of Major Shareholder	Shareholding	Holding %
CitiBank (Taiwan) in custody for Norway Central Bank Investment	28,187,625	2.20%
Fubon Life Insurance Co., Ltd.	28,012,052	2.18%
Liao, Ying-Feng	19,826,000	1.54%
Yeh, Chwei-Jing	18,406,238	1.43%
American JP Morgan Chase Bank Taipei Branch entrusted with the custody advanced Stars fund company's funds advanced series aggregate International Equity Index Fund	18,016,185	1.40%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	17,786,423	1.39%
Yongfeng Commercial Bank Co., Ltd. is entrusted to the account of Fuhua Small and Medium Select Securities Investment Trust	16,000,283	1.25 % 1.25%
CitiBank (Taiwan) in custody for DFA investment on diversified group emerging market core securities portfolio	14,529,095	1.13%
Standard Chartered Bank in custody for ISHARES core MSCI emerging market ETF investment	13,678,583	1.07% 1.07%
Yang, Wei-Feng	13,667,698	1.06%

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

<table>
<tr><td colspan="3">Year
Item</td><td>2017</td><td>2018</td><td>As of March 31, 2019</td></tr>
<tr><td rowspan="3">Market Price Per Share</td><td colspan="2">Highest</td><td>6.63</td><td>19.65</td><td>10.6</td></tr>
<tr><td colspan="2">Lowest</td><td>4.48</td><td>4.6</td><td>12.35</td></tr>
<tr><td colspan="2">Average</td><td>5.24</td><td>10.07</td><td>11.43</td></tr>
<tr><td rowspan="2">Net Worth</td><td colspan="2">Before Distribution</td><td>5.99 dollar</td><td>7.14 dollar</td><td>7.20 dollar</td></tr>
<tr><td colspan="2">After Distribution</td><td>5.99 dollar</td><td>7.14 dollar</td><td>-</td></tr>
<tr><td rowspan="2">Earnings Per Share</td><td colspan="2">Weighted Average Shares</td><td>1,737,745 thousand shares</td><td>1,279,539 thousand share</td><td>1,284,158 thousand share</td></tr>
<tr><td colspan="2">Earnings Per Share</td><td>(1.4) dollar</td><td>(1.01) dollar</td><td>(0.16) dollar</td></tr>
<tr><td rowspan="4">Dividend Per Share</td><td colspan="2">Cash Dividend</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Stock Dividend</td><td>Stock Dividend by</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Stock Dividend by Capital</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated undistributed</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Return on Investme</td><td colspan="2">Price/Earnings Ratio (Note</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Price/Dividend Ratio (Note</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Cash Dividend Yield (Note</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Note 1: Price/Earnings Ratio: Average Market Price/ Diluted Earnings per Share
Note 2: Price/Dividend Ratio: Average Market Price/ Cash Dividend per Share
Note 3: Cash Dividend Yield: Cash Dividend per Share/Average Market Price

（6）Dividend Policy and Distribution of Earnings

1. Dividend policies:

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

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

2. Proposal to Distribution of Earnings: there is no distributable earnings as of year 2018, and therefore no dividend distribution is proposed.
3. Expected material change of dividend policies: none

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

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

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

   Where there is profit of the annual final account, except for rendering business income tax and recovering previous losses, when allocating the earnings for each fiscal year, the Corporation shall first set aside a legal capital reserve at 10% of the earnings left over, and then set aside special capital reserve for the deduction amount of shareholders' equity occurred in current year. For balance left, the bonus to employees not less than 5% and the compensation to Directors and Supervisors not more than 4% shall be set aside.
2. The basis for estimated compensation to employees, directors and supervisors, the calculation basis for stock dividend as compensation to employees and the accounting handling for difference between actual amount distributed and the estimation: the Company had loss in 2018 and therefore without profit sharing bonus to employees and compensation to directors and supervisors.
3. Compensation distribution as approved by the Board of Directors:

   The Board of Directors resolved not to distribute the dividend because there was no distributable earnings in 2018.
4. 2017 Directors' Compensation and Employees' Profit Sharing Bonus (including shares distributed, amount and stock prices), the amount, reason and handling of difference from recognized compensation to employees, directors and supervisors: the Company had loss in 2018 and therefore without profit sharing bonus to employees and compensation to directors and supervisors.

（9）Buyback of common stock: none

2. Issuance of corporate bond: none

3. Preferred shares: none

4. Issuance of overseas depositary receipts:

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

Market Price per unit	2018	Highest	US$ 1.789
		Lowest	US$ 0.427
		Average	US$ 0.837
	As of March 31, 2019	Highest	US$ 0.79
		Lowest	US$ 0.69
		Average	US$0.725

5. Status of Employee Stock Option Plan: none

6. Status of Employee Restricted Stock: none

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

8. Financing Plans and Implementation: none

V. Overview of Operation

一、Business content

（1）Scope of business:

1. The Company mainly engages in optical products and other peripheral products.
2. Current product items and weights:

Item	2017	2018
Optical Products	87.40%	89.46%
Other	12.60%	10.54%

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

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

Digital information products, disc and other peripheral products

4. New products to be developed in the future:

（1）Disc

Blu-ray single-sided dual layer BD-R, BD-RE disc, organic blu-ray BD-R disc, Blu-ray single-sided three/fourl layer BD-R disc, Blu-ray double-sided sixl layer BD-R, 300GB and above archive disc

（2）Memory card

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

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

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

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

e. FLASH memory value added software: encryption of SD / CF memorty card, EZ Drive USB encryption

（2）Industry overview

1. Current industry conditions and development:

The main products of the Company include recording media and flash memory (USB, memory card) and SSD related products. In respect of recording disc, the overall market demand remains the same. Although the shipment of blu-ray disc with high gross margin has increased manyfold, the continuous price decline of CD and DVD still result in decrease of profit. Following the increase of blu-ray product shipments altogether with the contribution of products with high margin and adjustment of product combination to increase profit, the operating income may have chance to show a turn from loss to profit.

Blu-ray disc has become the main battlefield of disc manufacturers. Since blu-ray disc technology and capital threshold is much higher than CD/DVD, there are only RITEK and CMC may continuously devotes in equipment and research and other small to mid size disc plants in Taiwan have gradually turned to development in other fields. With continuous contribution in blu-ray technology development in last few years, RITEK not only has successfully developed 2X BD-RE, 2X/4X/6X BD-R such single layer products, but also passed the certification of BDA such labs in term of dual layer BD products with higher technology barrier and entered mass production. RITEK has become the first manufacture other than three Japanese manufactures being certified and delivering goods. The higher gross margin of dual layer BD is expected to be further expanded this year and will become an important profit source of RITEK.

For future outlook, BD will replace DVD and become disc mainstream in Japan, while the replacement rate in other areas is also gradually increased. With no doubt that RITEK is ready to greet the alternative generation. According to estimate of Japanese research institute (TSR) against BD market demand, the demand of recording BD had exceeded 700M in 2018. In addition, the trend is still going upward in next few years and this is no doubt the opportunity of RITEK to gain operating profit. Benefited by increasing high capacity audio and video demand, the penetration rate of BD products grows continuously while the CD and DVD demand is still strong and keeps in level of 3 to 4 billion every year. Therefore, the optical storage market will still be shared by CD, DVD and BD in next few years. Among them, the blu-ray market will increase dramatically and the overall disc market demand will appear slightly grow or keep in the same level.

In addition to audio and video storage and personal information backup, the application of disc also steps into the business data backup market which the hard disc and tape were originally the main carriers. In view of technological blueprint published by BAD (Blu-ray Disc Association), the capacity may reach 200GB, 256GB through nanolaminate piling. In addition to meet the latest audio and video demand of 3D and UHD specification, such capacity may further enter the storage application market in term of businesses, financial and medical such special needs. It means that the disc application will be more extensive.

Moreover, 100GB, 128GB blu-ray multilayer disc are used for storage media of business serve backup system in recent years. US social network Facebook even has developed high capacity blu-ray disc file backup system internally to correspond with greater data storage demand in the future. Facebook looks to further increase of BD to replace the tape. In summary, the high capacity BD penetration rate is estimated to be raised significantly. As to 300G and above archive disc, the 2019 demand will be 17M and grow 50% or more every year according to the research report of Japanese research institute (FRL). It is expected that disc will still be the most economical storage plan with highest penetration rate in next few years.

Recently, the idea of flash memory is emerging due to rising and popularity of smart phone. Accordingly, the demand for access anyplace anytime and high speed storage transmission are increasing everyday, which has stimulated the market growth of MicroSDHC and MicroSDHC, high-spec and high quality SDXC and CF memory card, light and simple card reader. After all related plants introduce small memory card in different specifications to scramble for the market, users request for bigger and bigger capacity of smart phone. If the build-in capacity of mobile phone is not enough, users may purchase memory card to resolve the problem of insufficient capacity if the mobile phone is available for external memory card. Therefore, the shipment of memory card will increase along with increasing shipment of smart phone every year. Based on the application demand and user expectation, we will continuously introduce related application products and will expand the products centered on flash memory media to maintain current market share and knowledge of customers to RITEK brand, e.g.: wireless storage, cloud storage, SSD etc.

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

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

There are two new RITEK SSD series mSATA SSD and M.2 SSD (NGFF) to correspond with the demand of system manufacture, OEM customers and game players. mSATA SSD is solid and reliable, small size 2.5 inch is only one eight of traditional hard disc. The case free single PCB design without any moving part is adopted, which is very suitable for the notebook, tablet and Ultrabook.

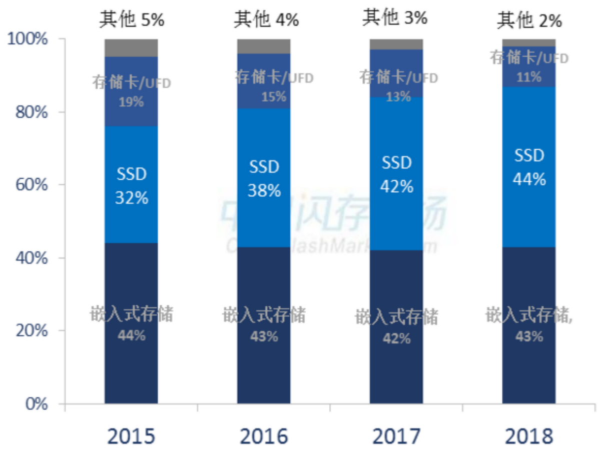
Small M.2 SSD size is applicable to many extendable cards, e.g. Wi-Fi, Bluetooth, GPS, NFC, digital radio, WiGig, WWAN. Aiming at M.2 module applicable to SSD, the sizes introduced by RITEK are 22mm x 42mm, 22mm x 60mm and 22mm x 80mm. Therefore, RITEK M.2 SSD are divided into 22242, 2260 and 2280.

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

According to data of ChinaFlashMarket, the SSD shipment reached 205M in 2018. As comparing to 2017, it was 31% annual growth. Meanwhile, the price decline of NAND Flash is stimulating the continuous growth of SSD market in 2019.

The SSD is still the main battlefield of all storage manufactures in 2019. ChinaFlashMarket considers that there are three major SSD development in 2019; first: 96 layer technology is coming, second: consumer SSD capacity will start from 240GB/256GB, third: all SSD brands will focus on PICe SSD.

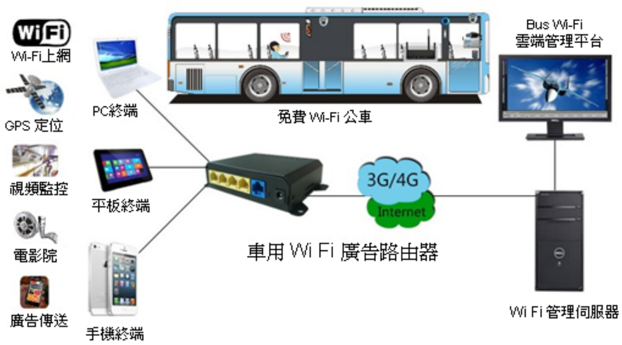
▼ Distribution of NAND Flash production application



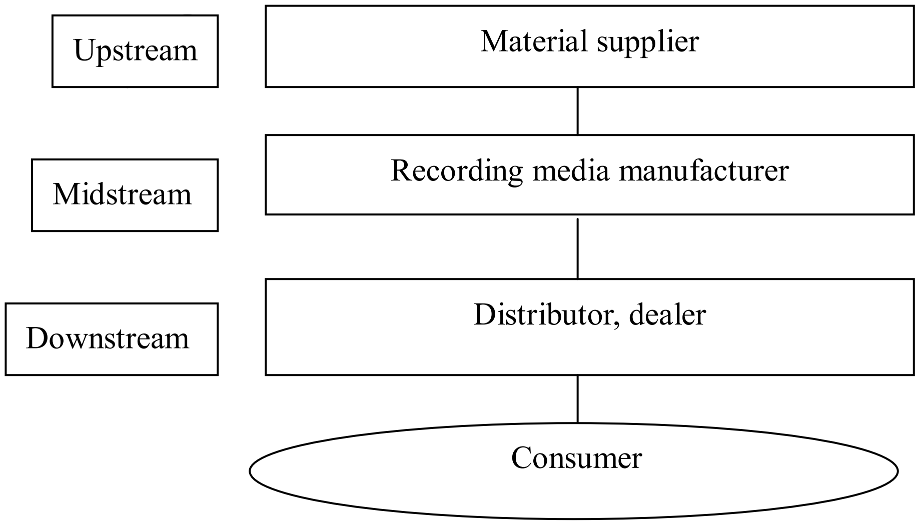
Bus, smart car, unmanned driving such data storage create huge demand for SSD

The unmanned car (sensor + knowledge + action) will be possible in the future, which will have many sensing systems such as GPS receiver, LiDAR, ultrasound sensor and HD camera···as parameters of providing basic data to fulfill automatic driving vehicles. Future smart cars or unmanned driving are not only the transportation tools, but also the center of summarization, data calculation and transmission. The requirement of data storage and processing ability is getting higher and higher and the demand for SSD is getting bigger.

▼ Car WIFI router



2、Industrial correlation:



3. Product development trend and competition:

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

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

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

(3) New application: the advantages of high storage capacity blu-ray may be applicable to new market

In respect of industrial competition, the disc productivity in Taiwan has led the overall disc industrial development long ago. No matter it is CD, DVD or DB, Taiwan is the most important production place. On the other hand, Japanese manufacturers accelerate the productivity release of BD with high margin after the earthquake in northeast Japan. The Company is the first professional disc manufacturer and domestic leading manufacturer no matter from the perspective of product scale or technology. Meanwhile, we are very famous plant of the world. The excess expansion of domestic CD, DVD manufacturers in the past resulted in the low tide of disc industry. After entering BD generation, the mid to small size plants are unable to participate and gradually withdraw from the market by low competitiveness because the capital and technology contribution of this industry are high. RITEK continuously cultivate in this business while the technology and quality are deeply valued by customers, allowing RITEK be positioned in top 3 of blu-ray market. As to the multilayer technology, with support of technology development project, RITEK aggressively participates in BDA to seize the synchronous development of key technology. It is believed that RITEK may acquire absolute advantage in the future competition.

RITEK IA business group mainly engages in the research, manufacturing and sales of SD/MicroSD memory card, USB, OTG, card reader, SSD and multimedia products and information product applications. Among them, the memory cards, USB and SSD applications are the majority. In highly competitive memory card/USB/SSD market, we accelerate the research and introduce high capacity, high speed and high specification products before others to correspond with the popularity of smart device/ high-end camera.

(3) Technology and research overview

RITEK always pay attention to the research and technology development, especially the persistence in product quality. No matter it is CD, DVD or BD, RITEK always persists in self-developed dyes for the recipe of CD-R, DVD-R and BD-R. It may not only avoid the control of key materials by others, but also efficiently reduce the costs and quality control. Therefore, RITEK self-developed dyes have both quality and price advantages. In respect of the phase-change recording media such as DVD+/-RW/RAM、BD-RE writable disc development, RITEK insists on self development of recording layer. In cooperated with foreign material supplier and cooperation plan with research institute, the recording layer material dedicated to RITEK is advantageous in both quality and speed. Therefore, no matter what the specification is, RITEK maintains the leading position in research and development. With persistence in research, RITEK may not only compete with Japanese companies in material and disc development of next BD generation, but also participates in feasibility tests for various technology and establishment of specification under BDA as well as develops multilayer BD simultaneously.

In addition to the efforts devoted to materials, the development of all kinds of discs and market release progress also achieve international standards. RITEK introduces products like 16X DVD±R, 8X DL DVD+R/-R, 2X/4X/6X BD-R/ 2X BD-RE, dual layer 4X/6X BD-R simultaneously with international companies. Besides, RITEK is the first company passing BAD lab certification in the country, this achievement is result of valuing disc technology development.

In term of key lithography technology on disc, RITEK owns the only lithography technology assembly team in the country. The team is capable of lithography production line assembly. It not only establishes lithography production system, but also completes DVD+RW formatter development and BD, DVD-R/RW lithography technology development at the same time. Accordingly, RITEK controls all key production technology from the sources to the finished products and maintains the product quality and cost reduction as well.

RITEK values both product development and basic research works. We continuously participate in all kinds of international optical storage technology seminars such as ISOM/ODS/PCOS and aggressively releases essays allowing the world understand the research ability of RITEK. In respect of intellectual property rights, RITEK continuously contributes to technological development and protects valuable technology and invention through patent application. There are almost one hundred patents accumulated, especially the patents regarding blu-ray technology and materials. RITEK understands that intellectual property rights are the basis of sustainable business development. Therefore, continuous technology enhancement and creation of necessary IPs are the orientation of RITEK in term of maintaining market competitiveness.

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

1. The RD expenses devoted as of March 31, 2019

Unit: thousand

Year	2017	2018	Amount as of March 31st
RD expenses	163,703	180,177	32,862

2. Successfully developed technologies or products

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

- Dual layer 4X BD-R
- Dual layer 6X BD-R disc
- Organic 4X BD-R disc
- Organic 6X BD-R disc
- Archive disc
- USB 2.0 Drive ID37、ID48、ID50、OJ3、OJ15、OD3、OD11、OD13、OD16、OJ9、OD6B、OJ10、SD10、SD11、OT2、Topy、Penguin development
- USB 3.0 Drive HD7、HD8、HD9、HD12、HD13、HD50、HM1、HM2、HJ3、HJ15 development
- Lightning USB3.0 Drive OA2
- microSDXC 256GB U3I、SDXC 256GB U3I development
- Bluetooth heart rate smart sport bracelet
- SSD 2.5" SATA III 6Gb/s development
- mSATA SSD 8GB / 16GB /32GB /64GB development
- M.2 SSD(NGFF) 64GB/ 128GB /256GB development
- PCIE M.2 NVMe SSD External USB3.1 Gen 2 240GB/480GB development
- OTG USB Drive /OTG card reader development
- Continuous development on encryptable memory card

- Continuous development on encryptable USB
- iPhone/Smart phone related products development
- Tablet related products development
- Various value-added software and system development

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

1. Short-term development plan:

(1) Perfect global sales organization, devote in talent development and team spirit

(2) Establish distribution system aiming at individual market as appropriate and design different product combinations by regions, market conditions and designs, and cooperate with marketing activities of distributors to establish brand value.

(3) Package design should be satisfactory to fashion trend and add anti-counterfeit design in product design

(4) Brand simplification and novel style to improve brand visibility

(5) Reinforce product quality to enhance self-brand image and market position.

2. Long-term development plan:

Focus on individual market operation, cultivation, establish global sales locations, and aggressively develop global regional markets to improve customer satisfaction and self brand market share. Meanwhile, explore global market through overseas branches and take advantage of all related resources efficiency and scale to have stable operational growth.

II. Market, production/sales highlight：

(1) Market analysis

1. Major product sales regions

Region \ Year		2017		2018	
		Amount	%	Amount	%
Overseas Sales	USA	1,211,541	12.37%	1,247,657	13.33%
	Asia	4,524,912	46.19%	4,515,300	48.25%
	Europe	1,250,149	12.76%	1,085,426	11.60%
	Other Area	57,602	0.59%	158,586	1.69%
Domestic Sales		2,752,905	28.10%	2,351,692	25.13%
Total		9,797,109	100.00%	9,358,661	100.00%

2. Market share:

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

RITEK owns the technology regarding mass production and development of big capacity and long life disc. We consecutively introduce high density, multilayer storage such big capacity 200G and above backup BD since 2017 and will develop higher capacity BD in the future. To correspond with fast growing Archive demand for big data, the advantages of disc in respect of near-line and off-line backup is getting obvious along with huge data increase. Although the real-time function of hard disc cannot be replaced by now, the demand for secondary storage (near-line) and third storage (off-line) is increasing every day. According to the report of Japanese research institution Fujiwara-Rothchile, 1TB BD will be introduced to market in 2020. In 2021, the ultra-high capacity (300GB and above) archive disc demand will reach 42M. RITEK is ready for the research and mass production as corresponding to future trend.

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

In Taiwan, we further honored “Top 100 Brands in Taiwan”, “Taiwan Quality Brand” and “Golden Trade Award” issued by Bureau of Foreign Trade, MOEA. We are also confirmed by several “Taiwan Excellence”, “Quality Design Award”. In addition, RITEK DVD stands on top of “Player Selection” organized by famous magazine PCDIY in Taiwan for consecutive nine years. It is sufficient to prove the splendid achievements and extensive market popularity and share of RITEK in media storage field.

3. Future market demand, supply and growth

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

Global recording media market demand forecast (Unit: Million pcs)

	2015	2016	2017	2018	2019
CD	3,600	3,500	3,300	3,145	2,850
DVD	5,805	5,590	5,300	5,048	4,660
BD	628	691	736	750	780
Archive Disc	-	1.49	3.78	8.65	17.48

Source: BOC, TSR industrial report & RITEK market forecast

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

（1）Competitive Edge

A. Seize market opportunities:

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

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

B. Complete resolution:

RITEK persists in the spirit of Excellent to provide high quality and stable serial disc, flash memory (USB, memory card) and SSD. From product research, new product mass production, material purchase, production, product delivery to customer services, we offer sweet and complete resolution for customers in every detail. We have established environmental test and optical lab and invested massive equipment for product tests to enhance product reliability. There is outstanding technology department to support all production lines to achieve high quality and zero fault. In the mean time, we enhance our personnel quality and carry out quality requirements of each flow through continuous educational training to attain our final goal: “satisfy the needs of customers, surpass the expectation of customers”！

(2) Favorable factors

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

A. The market demand for flash memory applying to consumer digital electronic products is very strong and growing continuously.

B. Market competition is dramatic, domestic and foreign small to medium size companies withdraw the market continuously because they cannot cover the costs and therefore the orders are more quickly transferred to big companies.

C. The Company has cultivated in disc for almost thirty years and has established extensive overseas sales locations and good channel relationship for OEM/ODM marketing channel in US, Europe and Mainland China. The flash memory (USB, memory card) and SSD could be distributed to the world rapidly by using existed channels.

D. As to the supplier relationship, we have stable cooperative partners and therefore the sources of goods are stable and sales prices are competitive

E. In respect of product lines arrangement, the diversification strategy is adopted. We have consecutively developed many memory application products and digital products.

(3) Adverse factors and corresponding strategies

A. Adverse factors:

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

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

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

B Correspondent strategies:

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

☞ Now the BD is in oligopoly phase that tends to centralization and higher technological barrier. In condition that secondary plants are more conservative in term of investment on equipment and unable to effectively break through mass product technology, RITEK is relatively more competitive.

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

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

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

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

（4）Future outlook

A. Overall industrial demand growth

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

B. Product combination advantages

RITEK has most complete product lines and will take great advantages wherefrom

C. Copy successful regional experiences to the whole world

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

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

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

1 Purposes of major products

(1) Disc for one time recording (CD-R、DVD+R/-R、DL DVD+R/-R and BD-R 、BD-R DL): The storage media which user may record for one time

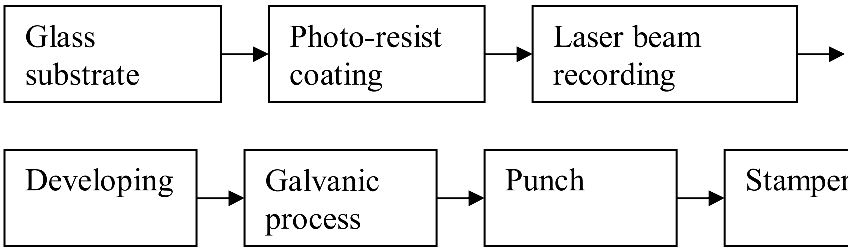
(2) Rewritable disc (CD-RW 、DVD+RW/-RW 、DVD-RAM and BD-RE): The storage media which user may record for many times

(3) Multifunctional digital disc for the storage of digital film, digital photo, MP3 music, multimedia data and import file etc.

(4) Flash memory（USB, memory card）and SSD applications, including: computer, digital camera, mobile phone, notebook, video recorder, dash cam and other consumer electronic products

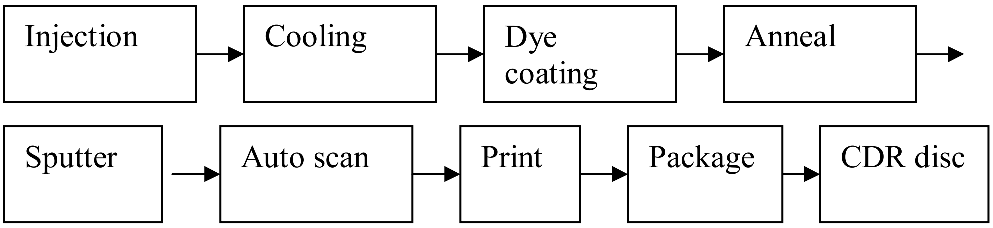
2 Process

（1） Stamper production

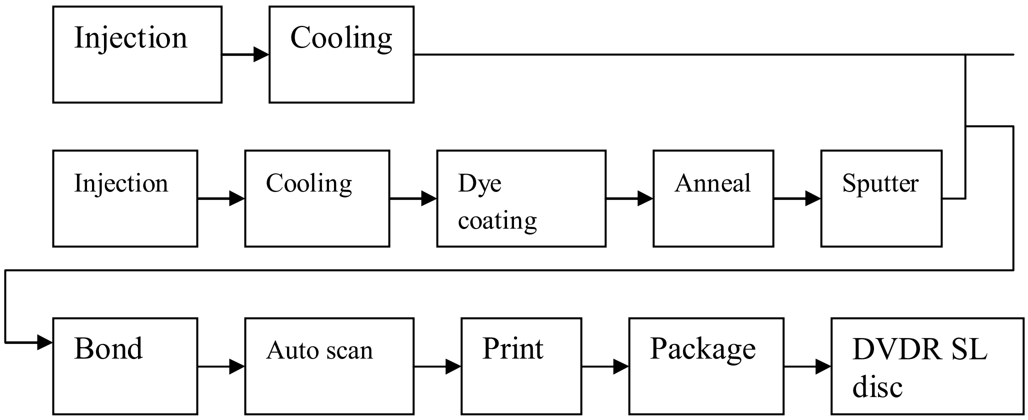


（2）Blank disc production

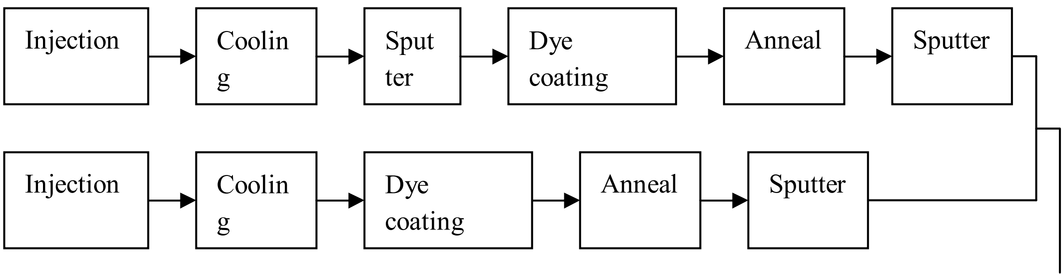
CDR

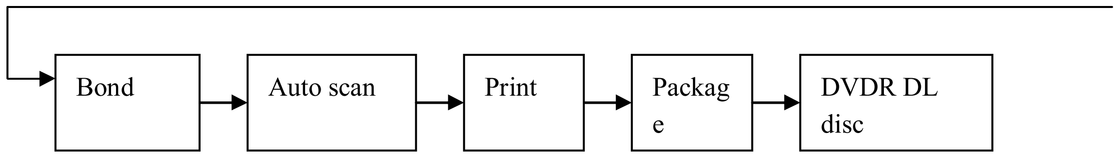


DVDR Single layer

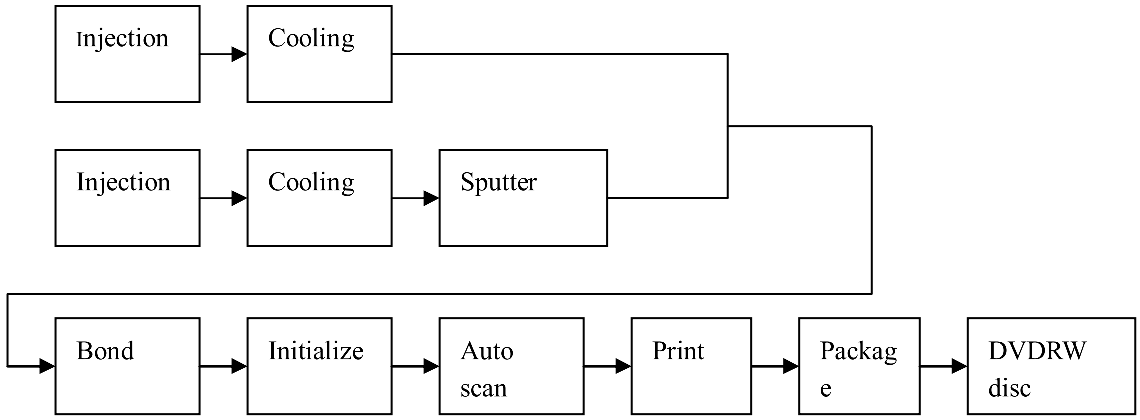


DVDR Double layer

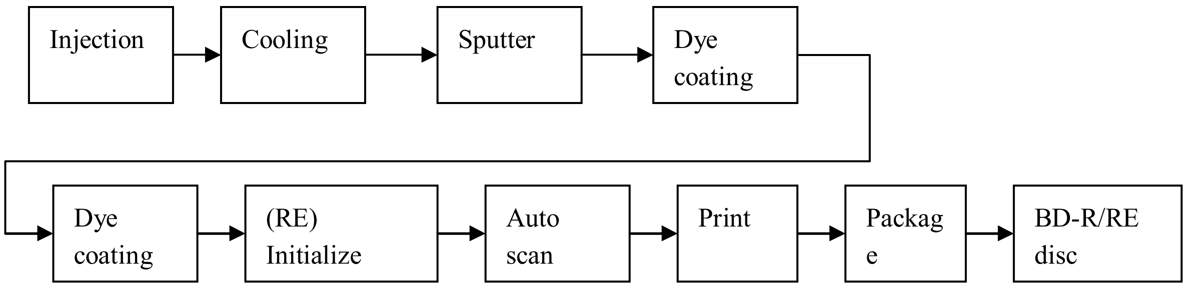




DVDRW



BD-R/RE



（3）Major material supply status

Major Business Division	Major Products	Major Materials		
		Name	Major Supply	Supply Status
Disc	CD-R CD-RW DVD Writer once DVD Rewritable BD-R BD-RE	Plastic	Spain, Taiwan, Middle East, Thailand	Good
		Target material	Japan	Good
			Taiwan	Good
		Protect lacquer	Japan	Good
			Taiwan	Good
		Ink	Taiwan	Good
			Japan	Good
		Dye	Japan	Good
			India	Good
			Taiwan	Good
		Bonding glue	Japan, Taiwan	Good
Photoelectrical products	IA	Flash	Korea, Japan	Good

(4) Major suppliers and customers

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

	2017				2018				2019 Q1			
Item	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	% of total net purchase amount in 2019Q1	Relation with Issuer
1	D	273,950	5	None	D	677,383	11	None	D	110,264	10.92	None
	Other	5,264,323	95	-	Other	5,472,447	89	-	Other	899,928	89.08	-
	Net of Incoming Goods	5,538,273	100	-	Net of Incoming Goods	6,149,830	100	-	Net of Incoming Goods	1,010,193	100	-

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

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

Major reason for increase and decrease: no change

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

Unit: NT$ thousand, set/1000 pcs

Year / Production Volume and Value / Major Product	2017			2018		
	Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Optical products and peripheral equipment	699,254	621,331	4,892,935	599,838	524,811	4,015,741
Total	699,254	621,331	4,892,935	599,838	524,811	4,015,741

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

(6) Sales volume and value in last two years

Unit: NT$ thousand, set/K pcs

Year / Sales Volume and Value / Major Product	2017				2018			
	Domestic Sales		Oversea Sales		Domestic Sales		Oversea Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical products and peripheral equipment	78,782	2,697,886	669,224	4,659,247	70,976	2,264,420	609,143	6,108,697
Other	173	55,019	102	2,384,957	290	87,272	148	898,272
Total	78,955	2,752,905	669,326	7,044,204	71,266	2,351,692	609,291	7,006,969

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

Year		2017	2018	As of April 30, 2019
Number of Employees		1,072	936	903
Age in Average		38.27	39.8	40.85
Seniority in Average		11.68	12.71	13.02
Education Distribution	PhD	0.19%	0.21%	0.19%
	Master	4.01%	4.32%	3.83%
	College	75.56%	77.30%	76.36%
	High School	18.66%	16.61%	18.04%
	Under High School	1.59%	1.55%	1.59%

IV. Environmental expenses

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

(2) Environment protection policies and improvement plan:

1. Greenhouse gas emission:

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

Item	2016	2017	2018
Scope 1 Direct greenhouse gas emission（$KgCO_2e$）	169,972.25	125,517.97	90,216.04
Scope 2 Indirect greenhouse gas emission（$KgCO_2e$）	57,143,236.84	50,075,669.43	43,550,444.69
Total emission（KgCO2e）	57,313,209.09	50,201,187.40	43,640,660.74
Greenhouse emission strength（$KgCO_2e$/revenue in thousand dollars）	9.23	9.61	8.74

2. Annual water consumption:

Unit: m^3

2016	2017	2018
260,023	243,184	174,559

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

3. Wasterwater substance drainage:

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

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

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

4. Energy use:

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

5. Waste processing:

To pursue sustainable operation, the Company improves the process and recycles the resources to reduce costs and pollution and achieve the win win situation of reducing environmental pollution and effective resources usage. The plant values the environmental awareness, all resources available for recycling or reclaim will be handled by qualified claring companies based on the nature of wastes. Meanwhile, the Company would audit the companies irregularly to reinforce the supervision and management of clearing companies.

There are three types of wastes generated by the Company:

(1) General business wastes: the class A clearning institution is designated to clear the waste at plant and deliver to Hsinchu incineration plant for processing.

(2) Hazardous waste: HoldingForce Info. Co.,Ltd is designated for treatment

(3) Resources recycling: promote ISO14001, and the resources are delivered to resource recycler for processiong. In the future, in addition to reducing general business waste and hazardous waste volume, we will also aggressively engage in resources recycling and reuse.

(4) The dedicated person would repair the bad pallets for use again.

(5) Other waste boxes, iron, FIBC are purchased by associate enterprises.

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

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

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

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

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

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

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

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

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

1. Management measures

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

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

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

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

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

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

V. Labor/Management relations

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

1. Employee welfares and implementation

(1)Labor insurance and national health insurance: the labor insurance, national health insurance related welfares for all employees of the Company are effective since 0:00 of date on board to firmly protect employees' benefits.

(2)Group insurance: all employees enjoy free life insurance, medical insurance and liability insurance such protections.

(3)Periodical health checkup: employees are most precious assets of the Company and their health condition may directly affect the Company's production ability. Therefore, to ensure physical health of employees, we conduct free physical checkup plan periodically and add specific physical checkup items aiming at employees doing special operations.

(4)Employee dormitory: provide convenient living choice for non-local employees to avoid inconvenience of commutation.

(5)Employee bonus sharing: all employees of the Company are entitled to buy stocks, participate in operation and share growth profit of the Company for the employees' coherence and team spirit development.

(6) Annual travel allowances

(7) Organize friendship activities irregularly

(8) Club activities and allowances

(9) Complete educational training system and budget provision

(10) Festival gift coupon, bonus

2. Welfares organized by Employee Welfare Committee:

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

3. Employee study and training

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

Course	Number of Classes	Total Persons	Total Hours
New employee orientation	25	60	144
At service training	286	2,895	247
External training	116	116	752

Disaster prevention training	5	367	20
Safety course training	4	84	9

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

4. Employee retirement system and implementation status

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

5. Labor agreement and various employee benefits maintenance

(1)The Company has established personnel management rules and operational rules for complete planning from employee recruitment, promotion to retirement, condolence as regulations for the Company and Employees in common.

(2)The Company organizes various communication meetings periodically, including: new employees, department staff cadre meetings and department meetings to facilitate smooth communication channel for passing opinions of subordinates to superiors.

(3)The Company has “RITEK discussion forum” and e-billboard for message, laws and policies promotion and communication.

(4)To prevent internal sexual harassment, maintain gender equality and personal dignity and protect rights of employees, the “Sexual Harassment Prevention Procedures” are hereby established for the prevention, complaint and punishment of sexual harassment event.

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

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

Nature of Contract	Party	Contract Period	Major Content	Restriction Clause
License Contract	PHILIPS	Automatic renewal every year since January 2016	Patent license	None
License Contract	SONY	Automatic renewal every year since April 2013	Patent license	None

License Contract	TAIYO YUDEN	Automatic renewal every year since July 2015	Patent license	None
License Contract	SD-3C	November 2016- November 2018	Patent license	None
License Contract	JVC	Automatic renewal every year since July 2017	Patent license	None
License Contract	HITACHI	July 2012- June 2017	Patent license	None
License Contract	Panasonic	July 2007- June 2017	Patent license	None
License Contract	PIONEER	Automatic renewal every year since April 2018	Patent license	None
License Contract	One-Blue	March 2014- March 2019	Patent license	None
License Contract	MITSUBISHI	November 2010- October 2020	Patent license	None
License Contract	MILLENNIATA	November 2012 – November 2019	Technology and trademark license	None
License Contract	TDK	Automatic renewal every year since March 2014	Technology and trademark license	None
License Contract	KMG	Automatic renewal every year since February 2014	Trademark license	None
Syndicated loan	Cooperative Bank such loan providing bank group	June 2015~ June 2020	Secured by land, building and AR	None
Long-term loan	Shanghai Bank	August 2014~ August 2019	Secured by land and building	None
Long-term loan	Shanghai Bank	April 2016~ April 2019	Secured by land and building	None
Long-term loan	Shanghai Bank	July 2017~ July 2022	Secured by land and building	None
Long-term loan	Shanghai Bank	November 2018~ November 2023	Secured by land and building	None
Long-term loan	Taishin Bank	December 2017~ December 2019	Secured by land and building	None
Long-term loan	Yuanta Bank	December 2017~ December 2019	Secured by land and building	None
Long-term loan	King’s Town Bank	June 2017~ June 2019	Stocks	None

Long-term loan	King's Town Bank	June 2018~ June 2020	Stock	None
Long-term loan	Cooperative Bank	August 2018~ August 2023	Secured by land and building	None
Long-term loan	Taishin Bank	August 2018~ August 2020	Secured by land and building	None
Long-term loan	Cooperative Bank	August 2018~ August 2023	Secured by machinery	None

VI. Financial Highlights

1. Condensed Balance Sheet and Comprehensive Income Statement from 2014 to 2018

(1) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet

Unit: NT$ thousand

Item \ Year		Financial Information from 2014 to 2018 (note 1)					Financial Information as of March 31, 2019 (note 3)
		2014	2015	2016	2017	2018	
Current Assets		9,686,027	8,694,565	9,349,341	8,423,001	8,486,808	8,482,266
Property, Plant and Equipment		21,015,739	17,833,686	13,691,073	12,117,022	12,509,656	12,354,113
Intangible Assets		1,171,978	1,095,307	1,015,271	942,070	868,581	850,704
Other Assets		3,926,236	3,247,356	2,735,615	2,005,469	1,829,730	2,106,731
Total Assets		35,799,980	30,870,914	26,791,300	23,487,562	23,694,775	23,793,814
Current Liabilities	Before Distribution	8,735,933	5,354,882	5,350,512	5,346,360	5,776,153	5,221,117
	After Distribution	8,735,933	5,354,882	5,350,512	5,346,360	(Note2)	
Non-current Liabilities		4,610,515	5,350,486	4,104,518	3,570,248	4,711,158	4,909,796
Total Liabilities	Before Distribution	13,346,448	10,705,368	9,455,030	8,916,608	10,487,311	10,130,913
	After Distribution	13,346,448	10,705,368	9,455,030	8,916,608	(Note2)	
Equity Attributable to Shareholders of the Parent		17,640,215	15,619,419	13,102,944	10,416,844	9,169,750	9,246,851
Capital		26,129,274	26,129,274	17,667,921	17,667,921	12,841,579	12,841,579
Capital Surplus		702,648	700,961	894,545	937,005	950,835	1,158,126
Retained Earnings	Before Distribution	(6,423,100)	(8,461,353)	(2,240,938)	(4,826,342)	(3,583,955)	(3,795,152)
	After Distribution	(6,423,100)	(8,461,353)	(2,240,938)	(4,826,342)	(Note2)	
Other Equity		(179,779)	(160,635)	(629,756)	(932,826)	(1,038,709)	(957,702)
Treasury Stock		(2,588,828)	(2,588,828)	(2,588,828)	(2,428,914)	0	0
Non-controlling Interests		4,813,317	4,546,127	4,233,326	4,154,110	4,037,714	4,416,050
Total	Before	22,453,532	20,165,546	17,336,270	14,570,954	13,207,464	13,662,901

Equity	Distribution						
	After Distribution	22,453,532	20,165,546	17,336,270	14,570,954	(Note2)	

Note 1: The financial statements from 2014 to 2018 were all audited by the independent auditors.

Note 2: The proposal for 2018 loss covering has not yet approved by the shareholders' meeting

Note 3: The consolidated report audited by CPA.

2. Condensed comprehensive income statement (consolidated)

Unit: NT$ thousand

Year / Item	Financial Information from 2014 to 2018 (note 1)					Financial Information as of March 31, 2019 (note 2)
	2014	2015	2016	2017	2018	
Sales Revenue	12,353,998	11,080,145	10,483,997	9,797,109	9,358,661	2,041,307
Gross Margin	(1,103,498)	(75,360)	485,096	312,128	547,602	156,372
Operating Income	(3,118,105)	(2,300,415)	(1,162,470)	(1,376,508)	(1,031,759)	(194,899)
Non-operating Income and Expense	(336,531)	296,338	(1,110,197)	(563,933)	(21,379)	(13,671)
Net Income Before Tax	(3,454,636)	(2,004,077)	(2,272,667)	(1,940,441)	(1,053,138)	(208,570)
Net Income of Continuous Operating Unit	(3,737,386)	(2,252,798)	(2,622,213)	(2,298,145)	(1,234,502)	(215,145)
Net Income (Loss)	(3,737,386)	(2,252,798)	(2,622,213)	(2,298,145)	(1,234,502)	(215,145)
Other Comprehensive Income (net after tax)	137,349	91,442	(403,688)	(412,728)	(192,485)	101,045
Total Comprehensive Income	(3,600,037)	(2,161,356)	(3,025,901)	(2,710,873)	(1,426,987)	(114,100)
Net Income (Loss) Attributable to the Parent	(3,316,457)	(2,162,664)	(2,232,636)	(2,430,455)	(1,292,823)	(211,397)
Net Income (Loss) Attributable to Non-controlling Interests	(3,316,457)	(90,134)	(389,577)	132,310	58,321	(3,748)
Total Comprehensive Income Attributable to the Parent	(3,133,367)	(2,124,584)	(2,710,059)	(2,752,254)	(1,426,640)	(130,190)
Total Comprehensive Income Attributable to Non-controlling Interests	(466,670)	(36,772)	(315,842)	41,381	(347)	16,090
Earnings Per Share: dolalr	(1.29)	(0.84)	(1.28)	(1.40)	(1.01)	(0.16)

Note 1: The financial statements from 2014 to 2018 were all audited by the independent auditors.

Note 2: The consolidated report audited by CPA.

3. Condensed Balance Sheet (unconsolidated)

Unit: NT$ thousand

Item \ Year		Financial Information from 2014 to 2018 (note 1)				
		2014	2015	2016	2017	2018
Current Assets		4,779,005	4,062,582	4,532,844	3,072,677	3,393,695
Property, Plant and Equipment		7,246,123	5,217,824	3,875,628	3,351,126	3,068,645
Intangible Assets		55,299	43,889	33,984	24,159	16,295
Other Assets		14,348,163	13,164,822	11,084,023	9,411,660	8,621,885
Total Assets		26,428,590	22,489,117	19,526,479	15,859,622	15,100,520
Current Liabilities	Before Distribution	4,956,851	3,258,715	3,530,065	3,286,138	4,031,486
	After Distribution	4,956,851	3,258,715	3,530,065	3,286,138	Note(2)
Non-current Liabilities		3,831,524	3,610,983	2,893,470	2,156,640	1,899,284
Total Liabilities	Before Distribution	8,788,375	6,869,698	6,423,535	5,442,778	5,930,770
	After Distribution	8,788,375	6,869,698	6,423,535	5,442,778	Note(2)
Capital		26,129,274	26,129,274	17,667,921	17,667,921	12,841,579
Capital Surplus		702,648	700,961	894,545	937,005	950,835
Retained Earnings	Before Distribution	(6,423,100)	(8,461,353)	(2,240,938)	(4,826,342)	(3,583,955)
	After Distribution	(6,423,100)	(8,461,353)	(2,240,938)	(4,826,342)	Note(2)
Other Equity		(179,779)	(160,635)	(629,756)	(932,826)	(1,038,709)
Treasury Stock		(2,588,828)	(2,588,828)	(2,588,828)	(2,428,914)	0
Total Equity	Before Distribution	17,640,215	15,619,419	13,102,944	10,416,844	9,169,750
	After Distribution	17,640,215	15,619,419	13,102,944	10,416,844	Note(2)

Note 1: The financial statements from 2014 to 2018 were all audited by the independent auditors.

Note 2: The proposal for 2018 loss covering has not yet approved by the shareholders' meeting

4. Condensed Comprehensive Income Statement (unconsolidated)

Unit: NT$ thousand

Item \ Year	Financial Information from 2014 to 2018 (note 1)				
	2014	2015	2016	2017	2018
Sales Revenue	9,067,612	6,900,095	6,206,392	5,222,080	4,994,319
Gross Margin	(1,099,550)	(745,602)	(388,933)	(449,275)	(143,048)
Operating Income	(2,063,952)	(1,552,602)	(929,373)	(901,678)	(567,049)
Non-operating Income and Expense	(1,052,547)	(408,406)	(977,048)	(1,206,369)	(561,732)
Net Income before Tax	(3,116,499)	(1,961,008)	(1,906,421)	(2,108,047)	(1,128,781)
Net Income of Continuous Operating Unit	(3,316,457)	(2,162,664)	(2,232,636)	(2,430,455)	(1,292,823)
Net Income (Loss)	(3,316,457)	(2,162,664)	(2,232,636)	(2,430,455)	(1,292,823)
Other Comprehensive Income (net after tax)	183,090	38,080	(477,423)	(321,799)	(133,817)
Total Comprehensive Income	(3,133,367)	(2,124,584)	(2,710,059)	(2,752,254)	(1,426,640)
Earnings per Share: dollar	(1.29)	(0.84)	(1.28)	(1.40)	(1.01)

Note 1: The financial statements from 2014 to 2018 were all audited by the independent auditors.

(3) The name and opinions of independent auditors from 2014 to 2018

Year	CPA Firm	Name of CPA	Opinion
2014	Earnest & Young	Hung, Mao-Yi, Hsu, Jung-Huang	Unqualified opinions with explanatory paragraph
2015	Earnest & Young	Hung, Mao-Yi, Hsu, Jung-Huang	Unqualified opinions with explanatory paragraph
2016	Earnest & Young	Hung, Mao-Yi, Chang, Chi-Ming	Unqualified opinions
2017	Earnest & Young	Hung, Mao-Yi, Chang, Chi-Ming	Unqualified opinions
2018	Earnest & Young	Chang, Chi-Ming, Hsu, Jung-Huang	Unqualified opinions

2. Financial Analysis from 2014-2018

(1) Financial analysis

1. Consolidated financial statements

Analytical Item (note 2)	Year	Financial Information from 2014 to 2018 (note 1) 2014	2015	2016	2017	2018	Financial Information as of March 31, 2019 (note 2)
Financial Structure	Debts Ratio	37.28	34.68	35.29	37.96	44.26	42.58
	Long-term Fund to Property, Plant and Equipment	128.78	143.08	156.60	149.72	143.24	150.34
Liquidity Analysis (%)	Current Ratio	110.88	162.37	174.74	157.55	146.93	162.46
	Quick Ratio	66.11	108.73	125.07	113.47	97.26	111.15
	Times Interest Earned	(11.21)	(7.00)	(11.11)	(12.56)	(5.88)	(3.48)
Operating Performance Analysis	Average Collection Turnover (Times)	4.85	4.45	4.73	5.04	5.12	4.95
	Days of Collection in Average	75.25	82.02	77.16	72.42	71.28	73.73
	Average Inventory Turnover (Times)	3.06	3.00	3.24	3.38	3.06	2.53
	Average Payment Turnover (Times)	7.75	7.81	7.98	6.95	6.89	7.85
	Average Inventory Turnover Days	119.28	121.66	112.65	107.98	119.28	144.26
	Property, Plant and Equipment Turnover (Times)	0.55	0.57	0.67	0.76	0.76	0.67
	Total Assets Turnover (Times)	0.33	0.33	0.36	0.39	0.40	0.35
Profitability Analysis	Return on Total Assets (%)	(9.23)	(6.13)	(8.55)	(8.67)	(4.71)	(0.75)
	Return on Equity (%)	(15.40)	(10.57)	(13.98)	(14.41)	(8.89)	(6.49)
	Operating Income to Paid-in Capital Rate %	(13.22)	(7.67)	(12.86)	(10.98)	(8.20)	(6.59)
	Net Margin (%)	(30.25)	(20.33)	(25.01)	(23.46)	(13.19)	(10.54)
	Earnings Per Share (dollar)	(1.29)	(0.84)	(1.28)	(1.40)	(1.01)	(0.16)

Cash Flow	Cash Flow Ratio%	0.00	23.35	24.08	13.29	0.00	2.74
	Cash Flow Adequacy Ratio %	75.82	106.51	129.11	118.19	83.04	93.50
	Cash Flow Reinvestment Ratio%	0.00	1.74	2.51	1.54	0.00	0.30
Leverage	Operating Leverage	(0.05)	(0.17)	(1.01)	(0.28)	(0.46)	(1.10)
	Financial Leverage	0.92	0.90	0.86	0.91	0.87	0.81

Analysis of deviation of 2018 vs. 2017: (exempted if the deviation is less than 20%）

1. Liquidity and profitability analysis: mainly due to decrease of operating loss
2. Cash flow: mainly due to the decrease of cash flow from operating activities
3. Leverage: mainly due to decrease of operating loss and the decrease of fixed costs

Note 1: The financial statements from 2014 to 2018 were all audited by the independent auditors.

Note 2: The consolidated report reviewed by CPA

2. Financial statements (unconsolidated)

Analytical Item		Financial Information from 2014 to 2018 (note 1)				
	Year	2014	2015	2016	2017	2018
Financial Structure	Debts Ratio	33.25	30.55	32.90	34.32	39.28
	Long-term Fund to Property, Plant and Equipment	296.32	368.55	412.74	375.20	360.71
Liquidity Analysis (%)	Current Ratio	96.41	124.67	128.41	93.50	84.18
	Quick Ratio	55.17	72.61	90.47	53.79	52.19
	Times Interest Earned	(20.70)	(14.03)	(15.81)	(23.26)	(11.68)
Operating Performance Analysis	Average Collection Turnover (Times)	5.18	4.08	4.38	4.62	3.97
	Days of Collection in Average	70.46	89.46	83.33	79.00	91.93
	Average Inventory Turnover (Times)	4.25	3.55	3.70	3.55	3.32
	Average Payment Turnover (Times)	5.70	5.65	7.01	6.21	6.00
	Average Inventory Turnover Days	85.88	102.81	98.64	102.81	109.93
	Property, Plant and Equipment Turnover (Times)	1.13	1.11	1.37	1.45	1.56
	Total Assets Turnover (Times)	0.32	0.28	0.30	0.30	0.32
Profitability Analysis	Return on Total Assets(%)	(11.30)	(8.40)	(10.18)	(13.33)	(7.89)
	Return on Equity (%)	(17.28)	(13.00)	(15.55)	(20.67)	(13.20)
	Operating Income to Paid-in Capital Rate %	(11.93)	(7.51)	(10.79)	(11.93)	(8.79)
	Net Margin (%)	(36.57)	(31.34)	(35.97)	(46.54)	(25.89)
	Earnings Per Share (dollar)	(1.29)	(0.84)	(1.28)	(1.40)	(1.01)
Cash Flow	Cash Flow Ratio%	0.00	0.00	20.52	0.00	0.00
	Cash Flow Adequacy Ratio %	140.41	75.78	177.11	153.00	115.84
	Cash Flow Reinvestment Ratio%	0.00	0.00	3.19	0.00	0.00
Leverage	Operating Leverage	0.17	0.14	(0.01)	0.27	0.06
	Financial Leverage	0.93	0.92	0.89	0.91	0.86

Note 1: The financial statements from 2014 to 2018 were all audited by the independent auditors.

Note2：The calculation formulas are as follows

1. Financial structure

(1) Debts ratio＝ Total liabilities／total assets

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

2. Liquidity analysis

(1) Current ratio＝ Current assets／current liabilities

(2) Quick ratio＝（Current assets－inventory－prepaid expense）／current liabilities

(3) Times Interest Earned＝ Earnings before income tax and interest expense/ interest expenses

3. Operating performance analysis

(1) Average collection turnover (including account receivables and note receivables derived from operation) ＝ Net sales／average account receivables (including account receivables and note receivables derived from operation)

(2) Average days of collection＝365／average collection turnover

(3) Average inventory turnover＝ cost of sales／average inventory

(4) Average inventory turnover days＝365／average inventory turnover

(5) Property, plant and equipment turnover＝ net sales／average net property, plant and equipment

(6) Total assets turnover＝ net sales／average total assets

4. Profitability analysis

(1) Return on total assets＝〔net income after tax＋interest expense×（１－tax rate）〕／ average total assets

(2) Return on shareholders' equity＝ net income after tax／average net shareholders' equity

(3) Net margin＝ net income／net sales

(4) Earnings per share＝（net income after tax－preferred stock dividend）／weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio＝ net cash provided by operating activities／current liabilities

(2) Cash flow adequacy ratio＝ five-year sum of cash from operations／five-year sum of capital expenditure+ inventory additions and cash dividend

(3) Cash flow reinvestment ratio ＝(cash provided by operating activities－cash dividend)／(gross property, plant and equipment＋long-term investment＋other assets ＋ working capital

6. Leverage:

(1) Operating leverage＝(net sales－variable cost) ／operating income

(2) Financial leverage ＝ operating income／ (operating income－ interest expenses)

RITEK Corporation
Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2018 Business Report, Financial Statements, and proposal for loss covering. The CPA Chang, Chi-Ming and Hsu, Jung-Huang of Ernst & Young was retained to audit Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and loss covering proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to article 14-4 of the Securities and Exchange Act and article 219 of the Company Law, we hereby submit this report.

To

RITEK Corporation

2019 Annual Shareholders' Meeting

RITEK Corporation

Convener of Audit Committee: Lin, Zu-Chia

March 29, 2019

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$ 3,068,645,000 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$4,994,319,000 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

張志銘

CPA：

徐榮煌

Hsu, Jung-Huang

March 29, 2019

RITEK Technology Co., Ltd.
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 Technology Co., Ltd.

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)

Chairman: Yeh, Chwei-Jing　　Manager: Yeh, Chwei-Jing　　Chief Account: Shih, Gu-Fu

RITEK Technology Co., Ltd.
Statement of Comprehensive Income
From January 1 to December 31, 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		$(1,426,640)	(29)	$(2,752,254)	(52)
	Loss per share (NT$)	VI.29				
9750	Basic loss per share Net loss for the year		$(1.01)		$(1.92)	

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing Manager: Yeh, Chwei-Jing Chief Account: Shih, Gu-Fu

RITEK Technology Co., Ltd.
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: Exchange difference on translation of financial statements of foreign operations	Other equity: Unrealized gains/losses on financial assets at fair value through other comprehensive income	Other equity: Unrealized gains/losses on available-for-sale financial assets	Treasury shares	Total equity
	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 Technology Co., Ltd.
Statements of Cash Flow
From January 1 to December 31 of 2018 and 2017

Unit: NT$1000

Item	2018 Amount	2017 Amount	Item	2018 Amount	2017 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 gain (loss)	$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 YEAR	797,157	1,107,781
Decrease of net defined benefit liabilities	(9,510)	(10,452)	Cash and cash equivalents at the end of the year	$585,551	$797,157
Cash outflow from operating activities	(439,848)	(222,503)			
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 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 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 (including the cash and cash equivalent, bill receivable, account receivable, financial assets and other receivable measured at 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		
Total	$1,911,669	Total	$1,911,669

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			Retained	Other	Non-
Accounting item	Book amount	Accounting item	Book amount	Difference	earnings adjustment	equity adjustment	controlling equity adjustment
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	197,698						
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	1,713,971						
Total	$1,911,669	Total	$1,911,669	$-	$-	$-	$-

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 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 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 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.

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

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

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:

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.

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 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 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.

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.

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 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

<u>Financial assets measured at fair value through other comprehensive profit or loss</u>

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

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

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

A. Before listing or reclassification, except for the impairment profit or loss and foreign currency exchange profit or loss recognized in the profit or loss, the rest profit or loss shall be recognized as other comprehensive profit or loss
B. In the case of exception, the accumulated profit or loss previously recognized

in other comprehensive profit or loss shall be reclassified and adjusted from the equity to the profit or loss

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

(a) For financial assets of acquired or created credit impairment, multiplying the effective interest rate of credit after adjustment by the amortized cost of financial assets
(b) If not the former, but becoming the credit impairment, multiplying the effective interest rate by the amortized cost of financial assets

Furthermore, for the equity instrument within the scope of IFRS 9 and being neither held for transaction nor used with the recognition or consideration by the purchaser in IFRS 3 Business Combinations, at the time of the original recognition, it selects (irrevocably) to list the changes of its subsequent fair 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.

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).

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 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 bot 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 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 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:

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 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 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, 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.

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 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.

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.

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.

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)

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 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.

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.

<u>Patent right</u>

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 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 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 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 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.

<u>Current income tax</u>

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

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

Deferred income tax

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

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

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

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

(1) transaction with non-business combinations which relates to the deductible temporary difference generated from the original recognition of the assets or liabilities at the time of the transaction with no effect to the accounting profits or the taxable income (loss);

(2) related to the deductible temporary differences arising from the investment to equity of subsidiaries, affiliated enterprises and joint arrangement, and only probable to recover in the foreseeable future and there is enough tax at the time of recovery to recognize the use of the temporary difference.

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

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

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 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	$585,551	$797,157

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	$42,512	
Current	$42,512	
Non-current	-	
Total	$42,512	

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

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

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

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

	December 31, 2018 (Note)	December 31, 2017
Stock		$156,047
Current		$-
Non-current		156,047
Total		$156,047

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

	December 31, 2018	December 31, 2017 (Note)
Restricted bank deposit	$53,674	
Current	$53,674	
Non-current	-	
Total	$53,674	

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		$54,605
Current		$54,605

	December 31, 2018 (Note)	December 31, 2017
Non-current		-
Total		$54,605

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	$2,840	$12,489

There is no guarantee to the bill receivable provided by the Company.
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	$1,389,796	$821,908

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	$47,161	$122,839	$170,000

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 impairment	Account receivable overdue but no impairment					
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	Total
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	$1,282,485	$1,281,043

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.

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:

	December 31, 2018		December 31, 2017	
Invested company name	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
Laibao Technology Co., Ltd.	602,521	46.24	448,579	46.24

U-tech Technology Co., Ltd.	394,524	22.26	410,768	22.26
Bolai Technology Co., Ltd.	923,594	85.87	888,450	85.87
AimCore Technology Co., Ltd.	459,878	21.27	467,012	21.27
TaiyangHai Technology Co., Ltd.	27,749	43.12	55,590	43.12
LaiTsuan Technology Co., Ltd.	7,741	100.00	7,585	100.00
Lai Factory Co., Ltd.	61,292	100.00	37,402	100.00
Heli Energy Co., Ltd.	986	100.00	985	100.00

	December 31, 2018		December 31, 2017	
Invested company name	Amount	Share-holding Ratio %	Amount	Share-holding Ratio %
Laiyang Science and Technology Co., Ltd.	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	$8,118,881		$8,634,253	

(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.

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	$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	$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	$966,548	$3,124,463	$3,525,845	$247,454	$154,433	$8,018,743

31, 2017						
Depreciation and impairment:						
January 1, 2018	$-	$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	$-	$1,976,439	$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.

12. Investment property

	Buildings
Cost:	
January 1, 2018	$107,747
Adding – from subsequent expense	-

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

	2018	2017
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	$8,492	$6,388

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

The investment property held by the Company is not measured according to the fair value, but only reveals the information of its fair value, which belongs to Level 3. The fair value of the investment property held by the Company was NT$ 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

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

Amortization amount recognized as intangible asset as below:

	2018	2017
Operating cost and operating expense	$7,864	$9,825

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	$44,675	$56,271

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	$1,402,136	$948,479
Interest rate range (%)	1.1063~4.4456	1.1038~3.2699

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	(173)	(215)

payable		
Net amount	$224,827	$249,785
Interest rate range (%)	0.5970~0.8120	0.4500~0.6500

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.

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:

	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 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:

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

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	211,430	213,219
Other non-current liability – net defined benefit liability (asset) column number	$116,354	$125,016

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	-	-	-
Subtotal	340,987	216,362	124,625
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	-	-	-
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%

Every significant actuarial assumption sensitivity analysis:

	2018		2017	
	Defined benefit obligation	Defined benefit obligation	Defined benefit obligation	Defined benefit obligation

	increasing	decreasing	increasing	decreasing
Discount rate increasing 0.5%	$-	$20,211	$-	$23,484
Discount rate decreasing 0.5%	22,050	-	25,790	-
Expected salary increasing 0.5%	22,133	-	25,876	-
Expected salary decreasing 0.5%	-	20,482	-	23,786

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.

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	$950,835	$937,005

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 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.

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
Revenue recognition time and place:	
In certain time and place	$4,994,319

(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.

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					
	Not overdue	Within 30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Total
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:

	Bill receivable	Account receivable	Other receivables
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 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,	December 31,

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

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

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.

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	$48,715	$58,819

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	(13,871)	(14,218)
Total	$22,786	$(85,329)

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.

(3) Financial cost

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

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	(45,139)	-	(45,139)	-	(45,139)

or loss of equity instrument investment measured at fair value through other comprehensive profit or loss					
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 loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(34,316)	-	(34,316)	-	(34,316)
Total	$(133,817)	$-	$(133,817)	$-	$(133,817)

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	(5,056)	-	(5,056)	-	(5,056)

comprehensive profit or loss					
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	$(321,799)	$-	$(321,799)	$-	$(321,799)

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	$164,042	$322,408

Income tax recognized as other comprehensive profit or loss

	2018	2017
Deferred income tax expense (benefit):		
Defined benefit plan remeasurement amount	$-	$-

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

	2018	2017
Net profit (loss) before tax from continuously operated entity	$(1,128,781)	$(2,108,047)
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	-	(1)
Total income tax expense recognized as profit or loss	$164,042	$322,408

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

2018

	Beginning balance	Recognized as profit or loss	Recognized as other comprehensive profit or	Ending balance

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

2017

	Beginning balance	Recognized as profit or loss	Recognized as other comprehen sive profit or loss	Ending balance
Temporary difference				
Net profit or loss of unrealized foreign currency exchange	$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	494,414	(337,833)	-	156,581
Deferred income tax (expense) / benefit		$(322,409)	$-	
Deferred income tax asset / (liability) net amount	$540,950			$218,541
Information expressed in balance sheet as below:				
Deferred income tax asset	$540,950			$218,541
Deferred income tax liability	$-			$-

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

Incurrence year	Loss amount	Unused balance December 31, 2018	Unused balance December 31, 2017	Final deductible year
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
		$20,302,767	$22,930,573	

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.

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)	$(1,292,823)	$(2,430,455)
Retroactively adjusted weighted average number of ordinary shares of basic loss per share (1,000 shares)	1,279,539	1,264,136
Basic loss per share (NT$)	$(1.01)	$(1.92)

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

Interested party name	Relationship with the Group
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
Laibao Technology Co., Ltd. (Laibao)	The Company adopts the equity method

	to evaluate the invested company
U-tech Technology Co., Ltd. (U-Tech)	The Company adopts the equity method to evaluate the invested company
Bolai Technology Co., Ltd. (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
TaiyangHai Technology Co., Ltd. (TaiyangHai)	The Company adopts the equity method to evaluate the invested company
Lai Factory Co., Ltd. (Lai Factory)	The Company adopts the equity method to evaluate the invested company
Laiyang Science and Technology Co., Ltd. (Laiyang)	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
Golden Glue Co., Ltd. (Golden Glue)	The Company is the ultimate holding company of the company
Ricare Co., Ltd. (Ricare)	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

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.

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	$1,023,689	$1,396,769

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	$781,368	$264,365

4. Other receivable - interested party

	December 31, 2018	December 31, 2017

The Company's subsidiary		
RVC	$2,084	$3,342
Laibao	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		
Bolai	$231,207	$250,394
The Company's affiliated enterprises	2,837	12,194
Other interested party	-	183
Total	$234,044	$262,771

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	$35,907	$41,721

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	$121,255	$132,265
Current	$11,032	$11,009
Non-current	$110,223	$121,256

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
TaiyangHai	108,000	89,300
Laiyang	-	40,000
Total	$276,630	$289,761

(2) Interest revenue

	2018	2017
The Company's subsidiary		
RVC	$3,226	$4,469
Sun Sea	1,889	4,947
Laiyang	464	1,613
Total	$5,579	$11,029

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
Laibao	-	24,008
Other	-	14,459
Total	$64,454	$110,332

10. Lease

Operating lease - rental payment

	2018	2017
The Company’s subsidiary		
U-Tech	$-	$9,360
Other	214	200
Subtotal	214	9,560
The Company’s affiliated enterprises		
Finesil	1,752	-
Total	$1,966	$9,560

Operating lease – rental revenue

	2018	2017
The Company’s subsidiary	$-	$84

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	$965,398	$738,006

12. Property transaction

(1) 2018

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

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		$5,117

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	$2,565	$885

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		$840

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	$1,104	$87

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	$13,433	$12,939

VIII. Pledged asset

The Company has the following asset as the pledge:

	Book amount		
Item	December 31, 2018	December 31, 2017	Secured liability
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	$3,648,174	$3,482,753	

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.

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:

Currency	Amount (unit: NT$ 1,000)
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:

	Total contract price	Paid amount	Unpaid amount
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.

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

	December 31, 2018	December 31, 2017
Investment to debt instrument without active market	(Note)	54,605
Bill receivable	(Note)	12,489
Account receivable (including the interested party)	(Note)	821,908
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.

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.

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 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

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).

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	1,491,310	-	-	-	1,491,310

payable					
Lease payable	11,280	22,560	22,560	66,270	122,670

	Less than one year	Two to three years	Four to five years	More than five years	Total
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
Lease payable	11,280	22,560	22,560	77,550	133,950

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	$(5,192)	$-	$-	$-	$(5,192)

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	Long-term loan (including due	Other non-current	Total liability from financing

		payable	within one year)	liability	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	$1,402,136	$224,827	$2,448,200	$3,123	$4,078,286

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 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.

(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 exchange contract	Sales of EUR4,000,000	June 27, 2017 to January 31, 2018

9. Fair value level

(1) Fair value level definition

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

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

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

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

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

(2) Fair value measurement level information

The 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:				
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	-
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 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

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
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$
Financial assets			
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
Financial liabilities			
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$
Financial assets			
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:			
USD	375	29.7150	11,145
GBP	2,361	39.8800	94,157
Financial liabilities			
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.

(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.

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, 2017 and 2018, and the related statements of comprehensive income, changes in stockholders' equity, cash flows, and notes to consolidate financial statements (including the summary of significant accounting policies) for the period from January 1 to December 31, 2017 and 2018. These financial statements are the responsibility of the Company's management.

In our opinion, based on our audit results and the audit reports of other independent auditors (please refer to the other matters section), the financial statements referred to in the first paragraph accurately present, in all material respects, the financial position of RITEK Corporation and its subsidiaries as of December 31, 2017 and 2018, and the results of its financial performance and its cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Accounting Standards, International Financial Reporting Standards, and IFRIC Interpretations as approved by the Financial Supervisory Commission.

Basis for Opinion

We planned and conducted our audits in accordance with the 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 Consolidated Financial Statements section of this report. We are independent of the Company, in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities pursuant to these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ending December 31, 2018. These matters are addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon;

we do not provide a separate opinion on these matters.

Judgment on consolidated entities

According to IFRS 10, regardless of the nature of an investment, the investor shall determine if it is the parent company by examining whether it controls the investee. Since RITEK Corporation and its subsidiaries hold the shares of partial consolidated entities less than 50%, the material judgment of RITEK Corporation toward the control over such consolidated entities in the consolidated financial statements would affect the presentation and preparation results of its consolidated financial statements. Therefore, we have determined the judgment on the control power over consolidated entities with less than 50% shareholding as the key audit matter.

Our audit procedures include but are not limited to the following audit procedures: reviewing the group investment structure, checking the change in total shareholding of subsidiaries, evaluating the number and percentage of leading posts in the Board of Directors, verifying proxies with majority votes held directly and indirectly and the evidences of physical strength to influence significant activities, including major managers, etc., to ensure that RITEK Corporation and its subsidiaries have control power over all consolidated entities.

We also evaluate the disclosure of consolidation between RITEK Corporation and its subsidiaries. Please refer to notes 4 and 5 of the consolidated financial statements.

Impairment of non-financial assets

The amount of consolidated property, plants, and equipment of RITEK Corporation and its subsidiaries was NT$12,509,656,000 as of December 31, 2018. Since RITEK Corporation and its subsidiaries had operation loss in 2018, the assets may have impairment. With significant hypothesis and estimation of impairment of non-financial assets, we decided to consider impairment of non-financial assets as a key audit matter.

Our audit procedures include but are not limited to the following audit procedures: evaluating signs of impairment on cash generation units identified by management, measuring recoverable amounts of assets or cash generation units, with the higher fair value deducted by disposition costs and its usage value as a recoverable amount, referring to the Company’s historical information and other external industrial analysis, evaluating the reasonableness of major assumptions and discount rates as the basis for such impairment tests, and evaluating 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 and its subsidiaries regarding the impairment loss of non-financial assets. Please refer to notes 4 and 5 of the consolidated financial statements.

Revenue recognition

RITEK Corporation and its subsidiaries recognized a consolidated revenue of NT$9,358,661,000 in 2018. The major sources of income were manufacturing and sales of disc, OLED, ITO glass, and green energy products (solar power module/LED/ battery related products), as well as optical information services and products. The build to order method was adopted for transactions. Different transactions terms were involved due to industrial features and customer demands. Therefore, a judgment is required to determine the performance obligations and satisfaction criteria. Therefore, the identification of revenue recognition is a key audit matter.

Our audit procedures include but are not limited to the following: evaluating the appropriateness of the accounting policies made by management aimed at revenue recognition, understanding the transaction flow of revenue recognition procedures against the performance obligations identified, testing the effectiveness of the internal control design and implementation in relation with revenue recognition as satisfactory to the performance obligations, conducting analytical procedures aimed at the sales price, sales volume, costs, and gross margin and implementing analytical procedures aimed at the top ten customers, selecting samples for testing transaction details and reviewing the trading conditions and related sales receipts in order to ensure the appropriateness of revenue recognition as satisfactory to performance obligations, conducting revenue cutoff tests in certain periods before and after the balance sheet date and checking relevant certificates to ensure that the revenue is recognized in the appropriate period, reviewing huge sales returns after the balance sheet date to investigate and understand its reason and nature, and carrying out ordinary journal tests.

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

Other matters referring to the audit of other certified public accountants

The financial statements of some subsidiaries included in the consolidated financial statements of RITEK Corporation and its subsidiaries were audited by other certified public accountants. Therefore, in our opinions of the preceding consolidated financial statements, the amounts listed in the financial statements of such subsidiaries were based on the audit reports of other CPAs. The total assets of such subsidiaries as of December 31, 2018 and December 31, 2017 were NT$3,493,747,000 and NT$3,316,549,000, respectively, accounting for 15% and 14% of the total consolidated assets. The sales revenues in the period from January 1 to December 31, 2018 and 2017 were NT$982,059,000 and NT$1,049,254,000, respectively, accounting for 10% and 11% of the consolidated sales revenue. Meanwhile, among the investees in the preceding consolidated financial statements, the financial statements of some investees were audited by other certified public accountants. Therefore, in our opinions of the preceding consolidated financial statements, the amounts listed in the financial statements of such investees were based on the audit reports of other CPAs. The investment amounts on such investees under the equity method as of December 31, 2018 and 2017 were NT$139,788,000 and NT$117,162,000, respectively, accounting for 1% and 0% of the total consolidated assets. The profit and loss of affiliates and venture capital recognized under the equity method in the period from January 1 to December 31, 2018 and 2017 were NT$ 5,150,000 and NT$ 20,830,000, respectively, accounting for 0% and 1 % of the consolidated net loss before income tax. The other comprehensive income of affiliates and venture capital recognized under the equity method in the period from January 1 to December 31, 2018 and 2017 was NT$ 844,000 and NT$ 2,164,000, respectively, accounting for 0% and 1% of the consolidated net other comprehensive income.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for preparing and fairly presenting the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, as well as for such internal control that it deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for Auditing 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 refers to a high level of assurance but does not guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when one exists. Misstatements can arise from fraud or error and are considered material if, individually or combined, they can reasonably be expected to influence the economic decisions of users made based on these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of RITEK Corporation and its subsidiaries.

3. Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.

4. Draw conclusions about the appropriateness of the management's use of the ongoing 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 and its subsidiaries to continue as an ongoing 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause RITEK Corporation and its subsidiaries

to cease to continue as an ongoing 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 fair manner.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determined those matters that were of the greatest significance in the audit of the consolidated financial statements of RITEK Corporation and its subsidiaries for the year ending December 31, 2018 as the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

RITEK Corporation has prepared the 2018 and 2017 individual financial statements, and we have issued the unqualified auditor's report, including other matters for your reference.

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

張志銘

CPA：

徐榮煌

Hsu, Jung-Huang

March 29, 2019

RITEK Technology Co., Ltd. and its Subsidiaries

Consolidated 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	$3,497,738	15	$3,885,055	17
1110	Financial assets at fair value through profit or loss-current	VI.2	100,513	-	119,687	-
1120	Financial assets at fair value through other comprehensive profit and loss-current	VI.3	6,815	-	-	-
1125	Available-for-sale financial assets-noncurrent	VI.4	-	-	46,637	-
1136	Financial assets measured at amortized cost-current	VI.5 and VIII	89,429	-	-	-
1147	Debt instruments investment-Flow in non-active market-current	VI.7 and VIII	-	-	101,791	-
1150	Net notes receivable	VI.8 andVI.23	9,031	-	18,536	-
1170	Net accounts receivable	VI.9, VI.23 and VIII	1,577,172	7	1,537,633	7
1175	Lease payment receivables	VI.9, VI.23 and VIII	1,840	-	-	-
1180	Net accounts receivable-related parties	VI.9, VI.23 and VII	32	-	38	-
130x	Inventory	VI.10	2,778,797	12	2,237,985	10
1470	Other current assets	VI.23 and VII	425,441	2	475,639	2
11xx	Total current assets		8,486,808	36	8,423,001	36
	Non-current assets					
1510	Financial assets at fair value through profit or loss-Noncurrent	VI.2	174,533	1	-	-
1517	Financial assets at fair value through other comprehensive profit and loss-Non-current	VI.3 and VIII	335,080	1	-	-
1523	Available-for-sale financial assets-noncurrent	VI.4 and VIII	-	-	421,311	2
1535	Financial assets measured at amortized cost-noncurrent	VI.5 and VIII	35,301	-	-	-
1543	Financial assets measured by cost-noncurrent	VI.6	-	-	322,181	1
1546	Debt instruments investment-Flow in non-active market-noncurrent	VI.7 and VIII	-	-	4,900	-
1550	Investments accounted for using equity method	VI.11	139,788	1	117,162	-
1600	Property, plant and equipment	VI.12 and VIII	12,509,656	53	12,117,022	52
1760	Net investment property	VI.13 and VIII	346,423	1	355,932	2
1780	Intangible assets	VI.14	868,581	4	942,070	4
1840	Deferred tax assets	VI.28	455,203	2	596,317	2
1900	Other non-current assets	VI.20 and VIII	294,788	1	187,477	1
1935	Long-term lease payment receivables	VI.9 and VIII	48,425	-	-	-
1970	Other long-term investments		189	-	189	-
15xx	Total non-current assets		15,207,967	64	15,064,561	64
1xxx	Total assets		$23,694,775	100	$23,487,562	100

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing | Manager: Yeh, Chwei-Jing | Chief Account: Shih, Gu-Fu

RITEK Technology Co., Ltd.

Consolidated Balance Sheet

December 31, 2018 and December 31, 2017

Unit: NT$1000

Code	Liabilities and Equity: Accounts	Notes	December 31, 2018: Amount	%	December 31, 2017: Amount	%
	Current liabilities					
2100	Short-term borrowings	VI.16 and VIII	$2,119,882	9	$1,500,535	6
2110	Short-term notes and bills payable	VI.17	250,979	1	249,785	1
2120	Financial liabilities at fair value through profit or loss-current	VI.18	-	-	5,192	-
2150	Notes payable		73,061	-	109,176	-
2160	Notes payable-related parties	VII	2,837	-	12,377	-
2170	Accounts payable		1,046,412	5	1,302,044	6
2180	Accounts payable-related parties	VII	7,574	-	3,927	-
2200	Other payables		795,930	3	848,182	4
2230	Current income tax liability		25,507	-	42,377	-
2300	Other current liabilities	VI.22	85,059	-	127,371	1
2320	Long-term liabilities maturing within one year or one operating cycle	VI.19 and VIII	1,368,912	6	1,145,394	5
21xx	Total current liabilities		5,776,153	24	5,346,360	23
	Non-current liabilities					
2540	Long-term loans	VI.19 and VIII	4,465,060	19	3,358,091	14
2570	Deferred tax liabilities	VI.28	36,336	-	-	-
2640	Net defined benefit liabilities-noncurrent	VI.20	154,278	1	163,305	1
2670	Other non-current liabilities		55,484	-	48,852	-
25xx	Total non-current liabilities		4,711,158	20	3,570,248	15
2xxx	Total liabilities		10,487,311	44	8,916,608	38
31xx	Equity attributable to owners of the parent					
3100	Capital stock	VI.21				
3110	Common stock		12,841,579	54	17,667,921	75
3200	Capital surplus	VI.21	950,835	4	937,005	4
3300	Retained earnings	VI.21				
3350	Loss to be made up		(3,583,955)	(15)	(4,826,342)	(21)
3400	Other owner's equity		(1,038,709)	(4)	(932,826)	(4)
3500	Treasury shares	VI.21	-	-	(2,428,914)	(10)
36xx	Non-controlling interests	VI.21	4,037,714	17	4,154,110	18
3xxx	Total owner's equity		13,207,464	56	14,570,954	62
	Total liabilities and owner's equity		$23,694,775	100	$23,487,562	100

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing Manager: Yeh, Chwei-Jing Chief Account: Shih, Gu-Fu

RITEK Technology Co., Ltd. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2018 and 2017

Unit: NT$1000

Code	Accouts	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
4000	Operating income	VI.22 and VII	$9,358,661	100	$9,797,109	100
5000	Operating costs	VI.10, 25 and VII	8,811,059	94	9,484,981	97
5900	Operating gross profit		547,602	6	312,128	3
6000	Operating expenses	VI.25				
6100	Selling expenses		597,718	6	619,796	6
6200	General and administration expenses		814,855	9	905,137	9
6300	Research and development expenses		180,177	2	163,703	2
6450	Expected credit impairment benefits	VI.23	(13,389)	-	-	-
	Total operating expenses		1,579,361	17	1,688,636	17
6900	Operating loss		(1,031,759)	(11)	(1,376,508)	(14)
7000	Non-operating income and expenditure	VI.26				
7010	Other income	VI.24	258,092	3	244,626	2
7020	Other profit and loss		(121,180)	(1)	(644,645)	(7)
7050	Financial costs		(153,131)	(2)	(143,084)	(1)
7055	Expected credit impairment loss	VI.23	(10)	-	-	-
7060	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI.11	(5,150)	-	(20,830)	-
			(21,379)	-	(563,933)	(6)
7900	Total non-operating income and expenditure		(1,053,138)	(11)	(1,940,441)	(20)
7950	Net loss before tax	VI.28	(181,364)	(2)	(357,704)	(4)
8200	Income tax expense		(1,234,502)	(13)	(2,298,145)	(24)
8300	Net loss for the year	VI.27				
8310	Other comprehensive gain and loss					
8311	Remeasurements of defined benefit plans		(317)	-	(18,729)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive gain(loss)		(146,994)	(2)	-	-
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss	VI.28	-	-	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange difference on translation of financial statements of foreign operations		(48,330)	-	(215,975)	(2)
8362	Unrealized gain(loss) on available-for-sale financial assets		-	-	(174,485)	(2)
8370	Share of other comprehensive gain(loss) of associates and joi	VI.11				
	Share of (loss) -items that may be reclassified subsequently to porfit or loss		844	-	(2,164)	-
8399	Income tax relating to the items that may be reclassified su	VI.28	2,312	-	(1,375)	-
	Other comprehensive income for the year (net of income tax)		(192,485)	(2)	(412,728)	(4)
8500	Total comprehensive income for the year		$(1,426,987)	(15)	$(2,710,873)	(28)
8600	Net profit (loss) attributable to :					
8610	Owners of parent company		$(1,292,823)		$(2,430,455)	
8620	Non-controlling interests		58,321		132,310	
			$(1,234,502)		$(2,298,145)	
8700	The total comprehensive profit(loss) attributable to :					
8710	Owners of parent company		$(1,426,640)		$(2,752,254)	
8720	Non-controlling interests		(347)		41,381	
			$(1,426,987)		$(2,710,873)	
	Loss per share (NT$)	VI.29				
9750	Basic loss per share					
	Net loss for the year		$(1.01)		$(1.92)	

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing　　Manager: Yeh, Chwei-Jing　　Chief Account: Shih, Gu-Fu

RITEK Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

From January 1 to December 31 of 2018 and 2017

Unit: NT$1000

Item	Equity attributable to owners of the parent								Non-controlling interest	Total equity
				Other equity						
	Capital stock	Capital surplus	Loss to be covered	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	Treasury shares	Total		
	3100	3200	3350	3410	3420	3425	3500	31XX	36XX	3XXX
Balance at January 1, 2017	$17,667,921	$894,545	$(2,240,938)	$(384,708)	$-	$(245,048)	$(2,588,828)	$13,102,944	$4,233,326	$17,336,270
Other changes in capital surplus										
Changes in associated and joint ventures accounted for using equity method	-	-	(275)	-	-	-	-	(275)	-	(275)
Net loss of the year of 2017	-	-	(2,430,455)	-	-	-	-	(2,430,455)	132,310	(2,298,145)
Other comprehensive income(loss) for the year ended December 31, 2017	-	-	(18,729)	(210,011)	-	(93,059)	-	(321,799)	(90,929)	(412,728)
Total comprehensive income(loss) for the year ended December 31, 2017	-	-	(2,449,184)	(210,011)	-	(93,059)	-	(2,752,254)	41,381	(2,710,873)
Disposal of the parent company's shares by subsidiary, as treasury shares	-	(16,455)	(135,945)	-	-	-	159,914	7,514	-	7,514
Difference between the actual price of acquisition or disposal of subsidiary equity and book value	-	114,052	-	-	-	-	-	114,052	(123,541)	(9,489)
Changes in equity to subsidiary	-	(55,137)	-	-	-	-	-	(55,137)	89,908	34,771
Non-controlling interests	-	-	-	-	-	-	-	-	(86,964)	(86,964)
Balance at December 31, 2017	$17,667,921	$937,005	$(4,826,342)	$(594,719)	$-	$(338,107)	$(2,428,914)	$10,416,844	$4,154,110	$14,570,954
Balance at January 1, 2018	$17,667,921	$937,005	$(4,826,342)	$(594,719)	$-	$(338,107)	$(2,428,914)	$10,416,844	$4,154,110	$14,570,954
Effect of retrospective application and retrospective restatement	-	-	74,721	-	(413,638)	338,107	-	(810)	(4,955)	(5,765)
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	4,149,155	14,565,189
Other changes in capital surplus										
Changes in associated and joint ventures accounted for using equity method	-	-	(559)	-	-	-	-	(559)	-	(559)
Net loss of the year of 2018	-	-	(1,292,823)	-	-	-	-	(1,292,823)	58,321	(1,234,502)
Other comprehensive income(loss) for the year ended December 31, 2018	-	-	(441)	(34,316)	(99,060)	-	-	(133,817)	(58,668)	(192,485)
Total comprehensive income(loss) for the year ended December 31, 2018	-	-	(1,293,264)	(34,316)	(99,060)	-	-	(1,426,640)	(347)	(1,426,987)
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	-	167,085
Actual acquisition or disposal of shares in subsidiaries	-	13,083	-	-	-	-	-	13,083	(25,253)	(12,170)
Changes in equity to subsidiary	-	747	-	-	-	-	-	747	(747)	-
Dispose of equity instruments measured at fair value through other comprehensive profit(loss)	-	-	(103,024)	-	103,024	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(85,094)	(85,094)
Balance at December 31, 2018	$12,841,579	$950,835	$(3,583,955)	$(629,035)	$(409,674)	$-	$-	$9,169,750	$4,037,714	$13,207,464

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing　　Manager: Yeh, Chwei-Jing　　Chief Account: Shih, Gu-Fu

RITEK Technology Co., Ltd. and its Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2018 and 2017

Unit: NT$1000

Item	2018 Amount	2017 Amount	Item	2018 Amount	2017 Amount
Cash flow from operating activities:			Cash flow from investment activities:		
Net loss before income tax for this year	$(1,053,138)	$(1,940,441)	Dispose of financial assets at fair value through other comprehensive gain (loss)	$49,384	$-
Adjustments:			Cash returned of capital reduction of financial assets at fair value through other comprehensive gain and loss	10,759	-
Items of gains, expenses and losses:			Acquisition of financial assets at amortization cost	(18,039)	-
Depreciation expenses and other losses	1,491,917	1,764,966	Acquisition of debt investments with no active market	-	(4,900)
Amortization expenses and other expenses	124,288	157,251	Proceeds from disposal of available-for-sale financial assets	-	524,305
Interest expenses	153,131	143,084	Disposal of debt investments with no active market	-	41,297
Interest revenue	(21,445)	(11,111)	Acquisition of subsidiaries (deducting the cash obtained)	(461,474)	-
Dividend income	(38,572)	(13,613)	Disposal of subsidiaries	(32)	-
Share of loss/profit of subsidiaries, associates and joint ventures accounted for using equity method	5,150	20,830	Acquisition of equity-method investments	(31,466)	(7,868)
Loss (Profit) from disposing and scrapping real estate, plant and equipment	(74)	122,924	Disposal of investments using the equity method	3,780	-
Loss (benefit) from disposal of investments	177	(267,003)	Cash returned of capital reduction of invested company accounted for using equity method	-	16,588
Loss of impairment of financial assets	-	5,887	Disposal of non-current available-for-sale assets	-	830,000
Loss of impairment of non-financial assets	9,423	398,638	Acquisition of real estate, plant and equipment	(1,159,934)	(1,056,248)
Bargain purchase gains	(19,359)	-	Disposal of real estate, plant and equipment	8,707	117,279
Changes in operating assets and liabilities			Decrease (Increase) of other non-current assets	249,282	(18,373)
Increase of available-for-sale financial assets	-	(7,461)	Dividends received	38,572	13,613
Decrease in financial assets mandatorily measured at fair value through profit or loss	77,960	-	Net cash inflow (outflow) from investment activities	(1,310,461)	455,693
Decrease (increase) of notes receivable	9,505	(3,279)			
Decrease (increase) of accounts receivable	(57,845)	252,977	Cash flow from financing activities:		
Decrease in lease receivables	411	-	Increase in short-term borrowings	614,347	17,365
Decrease (increase) of inventory	(576,056)	347,984	Increase (decrease) in short-term bills payable	(25,547)	19,841
Decrease (increase) of other current assets	217,221	(19,916)	Borrowing (repaying) long-term loans	578,783	(610,564)
Increase (decrease) in available-for-sale financial liabilities	(5,192)	5,192	Increase of other non-current liabilities	6,632	5,720
Decrease of notes payable	(47,188)	(10,679)	Disposal of treasury stock	167,085	7,514
Increase (decrease) of accounts payable	(260,258)	135,655	Acquisition of equity in subsidiaries	(84,820)	(105,148)
decrease of other payables	(81,364)	(102,856)	Disposal of equity in subsidiary (no loss of control)	72,650	95,659
Decrease of other current liabilities	(42,595)	(103,851)	Changes in non-controlling interests	(93,033)	(52,193)
Decrease of net defined benefit liabilities	(9,344)	(17,055)	Net cash inflow (outflow) from financing activities	1,236,097	(621,806)
Increase of net defined benefit liabilities	(123,247)	858,123			
Interest received	20,841	10,846	Effect of exchange rate changes on cash and cash equivalents	(17,734)	24,083
Interest paid	(145,288)	(144,564)			
Income tax paid	(47,525)	(13,824)	Current increase in cash and cash equivalents	(387,317)	568,551
Net cash (outflow) inflow from operating activities	(295,219)	710,581	Cash and cash equivalents at the beginning of the year	3,885,055	3,316,504
			Cash and cash equivalents at the end of the year	$3,497,738	$3,885,055

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing　　Manager: Yeh, Chwei-Jing　　Chief Account: Shih, Gu-Fu

RITEK Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2018
And January 1 to December 31, 2017
(Unless otherwise stated, the amount unit shall be in NTD 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

Consolidated Financial Statements of 2018 and 2017 of the Company and subsidiaries (hereinafter referred to as the Group) 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 Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations or Interpretation Notice (IFRIC) approved by Financial Supervisory Commission (hereinafter referred to as FSC) in the accounting years from January 1, 2018; except for the following new criteria and corrective and influential interpretations, the rest first applications have no great influence to the Group:

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

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

A. The applicable accounting policy interpretations of the Group from January 1, 2018 and before January 1, 2018 refer to Note IV.
B. Before January 1, 2018, the Group 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 Group transfers the committed commodity to the customer and meets the contract performance obligation, so the application of IFRS 15 has no influence to the recognition of commodity sales revenue of the Group; however, some contracts shall collect partial consideration in advance from the customer when signing the contract, and the Group 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 Group, 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 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	$119,687	Measurement at fair value through the profit or loss	$348,513
Measurement at fair value through other comprehensive profit or loss		Measurement at fair value through other comprehensive profit or loss	555,538
Financial assets available for sale (including the cost measurement of NT$ 322,181,000)	790,129		
Measurement of amortized cost		Measurement of amortized cost (including the cash and cash equivalent, bill receivable, account receivable, financial assets and other receivable measured at amortized cost)	5,557,638
Loans and receivables (including the cash and cash equivalent, bill receivable, account receivable, debt instrument investment without active market and other receivables)	5,557,638		
Total	$6,467,454	Total	$6,461,689

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					
Accounting item	Book amount	Accounting item	Book amount	Difference	Retained earnings adjustment	Other equity adjustment	Non-controlling equity adjustment
Financial assets measured at fair value through the profit or loss (Note 1)							
Held for trading	$119,687	Measurement at fair value through the profit or loss	$119,687	$-	$-	$-	$-
Financial assets available for sale (including the original investment cost of	467,948	Measurement at fair value through the profit or loss	228,826	-	45,025	(45,025)	-

NT$ 322,181,000 and reported separately in terms of cost) (Note 2)	322,181	Measurement at fair value through other comprehensive profit or loss (equity instrument)	555,538	(5,765)	29,696	(30,506)	(4,955)
Subtotal	790,129						
Loans and receivables (Note 3)							
Cash and cash equivalent	3,880,607	Cash and cash equivalent	3,880,607	-	-	-	-
Debt instrument investment without active market	106,691	Financial assets measured at amortized cost	106,691	-	-	-	-
Bill receivable	18,536	Bill receivable	18,536	-	-	-	-
Account receivable (including the interested party)	1,537,671	Account receivable (including the interested party)	1,537,671	-	-	-	-
Other receivables (including the interested party)	14,133	Other receivables (including the interested party)	14,133	-	-	-	-
Subtotal	5,557,638						
Total	$6,467,454	Total	$6,461,689	$(5,765)	$74,721	$(75,531)	$(4,955)

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 and financial assets measured at cost, 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 (including the financial asset measured at cost of NT$ 322,181,000) to the financial assets measured by fair value through profit or loss in the amount of NT$ 228,826,000 and the financial assets measured through other comprehensive profit or loss in the amount of NT$ 555,538,000. Other relevant information is as follows.

(a) The unlisted stock measured at cost in accordance with IAS 39 shall be measured at fair value in addition to not recognized as impairment loss according to IFRS 9. The Group measures the fair value of NT$ 316,416,000 on January 1, 2018; in addition to adjust the book amount of financial assets measured at fair value through other comprehensive profit or loss of NT$ 316,416,000, and the book amount of financial assets measured at fair value through profit and loss of NT$ 0, it also adjusts the retained earnings of NT$ 29,696,000, other equity of NT$ (30,506,000) and non-controlling interest of NT$ (4,955,000).

(b) The stock of listed and unlisted companies of NT$228,826,000 measured by fair value does not cause any book amount difference. On the first application date, except to be reclassified to be measured by fair value through other comprehensive profit or loss, only the accounting items in other rights and interests shall be reclassified. The change in fair value of NT$ 45,025,000 previously recognized in other equity shall also be reclassified to the retained earnings.

3. In accordance with IAS 39, if the Group 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 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$ 106,691,000 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 Group 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 Group selects to postpone the application of this interpretation from January 1, 2018, and this accounting principle change does not significantly affect the Group's recognition and measurement.

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

Financial activities of the Group related to the liabilities shall increase the regulation information from the beginning to the end of the period, and relevant disclosure refers to Note XII.

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

Item	Newly issued/revised/amended criteria or interpretations	IASB issuing and effective date
1	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 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.

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 Group and described below, the newly issued or revised criteria or interpretations shall have no significant impact on the Group.

(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 Group is as follows:

A. For the definition of lease, the Group 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 Group 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 Group 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.

Classified as the operating lease

The Group 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

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).

On January 1, 2019, the Group is expected to increase the right-of-use assets by NT$ 293,100,000; the lease liability will increase by NT$ 189,416,000; and other non-current assets will be reduced by NT$ 103,684,000.

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 Group 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

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:
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), (3) and (4) of newly released or revised criteria or interpretations, the Group temporarily is unable to reasonably estimate the influence of foregoing criteria or interpretations to the Group, and the rest newly issued or revised criteria or interpretations has no significant impact to the Group.

IV. <u>Summary Statement of Major Accounting Policies</u>

1. Compliance declaration

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

2. Preparation basis

Financial Instruments in the Consolidated Financial Statements, as measured by fair value, are prepared at historical cost. Consolidated Financial Statements are in the unit of NT$ 1,000, unless otherwise noted.

3. Consolidation condition

Preparation principles of consolidated financial statements

Control is achieved when the Company is exposed to changes in remuneration or rights to enjoy such changes in remuneration arising from the participation of the investee, and through its power over the investee to influence such remuneration. In particular, the Company only controls the investee if it has the following three control elements:

(1) the power over the investee (i.e., existing right to give the current ability to lead relevant activities)
(2) the risk or right of change of remuneration arising from the participation of the investee, and
(3) the ability to use its power over the investee to influence the amount of the investor's remuneration

Where the Company directly or indirectly holds the voting rights less than a majority of the investee or similar rights, the Company shall consider all relevant facts and circumstances to assess whether it has power over the investee, including:

(1) contractual agreements with other holders of voting rights of the investee
(2) rights arising from other contractual agreements
(3) voting rights and potential voting rights

When the facts and circumstances show that one or more of the three control elements have changed, the Company shall re-evaluate whether it still controls the investee.

The subsidiaries shall be incorporated into the consolidated financial statements from the date of acquisition (i.e., the date on which the Company gains control), until the date on which the Company loses control of the subsidiaries. The accounting period and policies of the subsidiary's financial statements shall be consistent with those of the parent company. All intra-group account balances, transactions, unrealized internal gains or losses and dividends due to intra-group transactions shall be eliminated in full.

The change of stock equity in subsidiary shall be treated as the equity matter if the control of the subsidiary is not lost.

The aggregate profit and loss of subsidiary is attributable to the owner of the Company and non-controlling equity, even if the non-controlling equity results in loss balance.

If the Company loses control of its subsidiaries, it shall

(1) derecognize the assets (including the goodwill) and liabilities of the subsidiaries;
(2) derecognize the book amount of any non-controlling equity;
(3) recognize the fair value of the consideration obtained;
(4) recognize the fair value of any investment retained;
(5) recognize any benefit or loss as the current profit or loss;
(6) reclassify the number of items previously recognized as other comprehensive profits and losses of the parent company to the current profits and losses.

The main body for preparing the consolidated financial statements is as follows:

			Percentage of equity held	
Investment company name	Subsidiary name	Primary business	2018.12.31	2017.12.31
The Company and subsidiary	錸寶科技	OLED manufacturing and trading	70.58	71.60
The Company and subsidiary	鈺德科技	CD manufacturing and selling	39.20	35.97
The Company and subsidiary	博錸科技	Plastic precision injection	96.50	96.50
The Company	中富投資	General investment business	100.00	100.00

Investment company name	Subsidiary name	Primary business	Percentage of equity held 2018.12.31	Percentage of equity held 2017.12.31
The Company	Zhongyuan International Venture Capital Co., Ltd.	Venture capital investment business	100.00	100.00
The Company and subsidiary	AimCore Technology Co., Ltd.	Conductive glass manufacturing and trading	24.76	24.61
The Company and subsidiary	TaiyangHai Technology Co., Ltd.	Battery manufacturing and trading	61.31	61.31
The Company	LaiTsuan Technology Co., Ltd.	Lighting equipment manufacturing	100.00	100.00
The Company	Lai Factory Co., Ltd.	Management consulting	100.00	100.00
Lai Factory	Ricare Co., Ltd.	Management consulting	100.00	100.00
The Company	Heli Energy Co., Ltd.	Energy technology	100.00	100.00
The Company	ART Management Ltd	Holding company	100.00	100.00
The Company	Affluence International Co., Ltd (B.V.I)	Holding company	100.00	100.00
The Company	Max Online Ltd.(B.V.I)	Holding company	100.00	100.00
The Company	Ritek Group Inc. (Cayman)	Holding company	100.00	100.00
The Company	Score High Group Ltd. (B.V.I)	Holding company	100.00	100.00
The Company and subsidiary	Ritrax Corp. Ltd.(U.K.)	Trademark right company	100.00	100.00
The Company	Sky Chance International Ltd.	Holding company	100.00	100.00
Sky Chance	Team Diy Hardware Sdn. BHD	Hardware trading	51.00	51.00
Sky Chance	Ritek Latin America	Sales of chemical materials	100.00	(Note 1)
The Company and subsidiary	Laiyang Technology Co., Ltd.	Touch panel manufacturing	98.08	97.22
Laiyang	RiTdisplay Global Corporation	Holding company	(Note 2)	100.00
U-Tech	Dollars cultural and creative industry company	Cultural and creative industry	100.00	100.00
U-Tech	Crystal Investment Overseas Ltd.	Holding company	(Note 3)	100.00
U-Tech	Jade Investment Services Ltd.	Holding company	100.00	100.00
U-Tech	Havard Industries Co., Ltd.	Property development and trading	100.00	100.00

			Percentage of equity held	
Investment company name	Subsidiary name	Primary business	2018.12.31	2017.12.31
U-Tech and AimCore	HouJu Energy Development Co., Ltd.	Renewable energy self-use power generation equipment industry	98.72	(Note 4)
HouJu	Hou Cheng Trading Co., Ltd.	Renewable energy self-use power generation equipment industry	100.00	(Note 4)
Jade	Glory Days Services Ltd.	Holding company	100.00	100.00
Glory Days	U-Tech Media Korea Co., Ltd.	CD manufacturing and selling	100.00	100.00
Bolai	Arlewood International Corporation	Holding company	100.00	100.00
Arlewood	Kunshan Protek Co. Ltd.	Plastic precision injection	100.00	100.00
Arlewood	Prorit Corporation Vietnam Ltd.	Electronics industry	100.00	100.00
AimCore	ARMOR INVESTMENT GROUP CORP.	Holding company	100.00	100.00
ARMOR	AimCore (Yangzhou) Technology Co., Ltd.	Conductive glass	100.00	100.00
ART	Advanced Media Inc.	CD selling	100.00	100.00
Max Online and Score High	Kunshan Hutek Co., Ltd.	CD manufacturing and selling	100.00	100.00
Max Online and TaiyangHai	Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	Solar module manufacturing	80.27	80.27
Hutek	Kunshan Ritek Trading Company., Ltd.	CD selling	100.00	100.00
RGI	Conrexx Technology B.V.	CD selling	100.00	100.00
RGI	RME Manufacturing Gmbh.	CD manufacturing and selling	100.00	100.00
Score High	Ritek Vietnam Co., Ltd.	CD manufacturing and selling	100.00	100.00

Note 1: Subsidiary Sky Chance acquired 100% stock equity of Ritek Latin America in the third quarter of 2018.

Note 2: The subsidiary completed the liquidation in the first quarter of 2018, and returned the investment amount of NT$ 3,887,000.

Note 3: The subsidiary completed the liquidation in the third quarter of 2018.

Note 4: U-Tech and AimCore completed the acquisition of 98.72% stock equity of Houju Energy Development Co., Ltd. on October 12, 2018, and acquired the actual control to Houju Energy Development Co., Ltd.; former subsidiary Houcheng Photoelectricity Co., Ltd. of Houju Energy Development Co., Ltd. was included in the main body of consolidated financial statements preparation.

The Company determines that it has control over U-Tech and AimCore even though it holds less than 50% voting right. Since the date of investment to U-Tech and AimCore, the Company has been the single largest shareholder in U-Tech and AimCore, and the remaining equity in U-Tech and AimCore is widely held by many other shareholders. In the absence of contractual rights, the Company may obtain the power of attorney of majority right to vote, and may appoint the key managers of U-Tech and AimCore capable of leading relevant activities.

4. Foreign currency transaction

Consolidated financial statements of the Group are expressed in the Company's functional currency NT$. Each system within the Group determines its own functional currency and measures its financial statements in that functional currency.

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

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.

5. Conversion of financial statements in foreign currency

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

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

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

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

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

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

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

(1) It is expected to pay off the liability in its normal business cycle.
(2) To hold the liability primarily for trading purposes.

(3) It is expected to repay the liability within 12 months after the reporting period.

(4) The repayment period of the liability cannot be extended unconditionally to at least 12 months after the reporting period. The liability clause, which may lead to the issuance of equity instrument at the option of the counterparty, does not affect the classification.

7. Cash and cash equivalent

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

8. Financial instruments

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

The financial assets and financial liabilities conforming to the applicable scope of IFRS 9 “Financial Instruments” (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 Group shall adopt the accounting treatment on the trading day.

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

A. Before listing or reclassification, except for the impairment profit or loss and foreign currency exchange profit or loss recognized in the profit or loss, the rest profit or loss shall be recognized as other comprehensive profit or loss
B. In the case of exception, the accumulated profit or loss previously recognized in other comprehensive profit or loss shall be reclassified and adjusted from the equity to the profit or loss
C. Interests calculated by the effective interest method (multiplying the effective interest rate by the total book amount of financial assets) or in the following cases, shall be recognized as the profit or loss:

(a) For financial assets of acquired or created credit impairment, multiplying the effective interest rate of credit after adjustment by the amortized cost of financial assets
(b) If not the former, but becoming the credit impairment, multiplying the effective interest rate by the amortized cost of financial assets

Furthermore, for the equity instrument within the scope of IFRS 9 and being neither held for transaction nor used with the recognition or consideration by the purchaser in IFRS 3 Business Combinations, at the time of the original recognition, it selects (irrevocably) to list the changes of its subsequent fair 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 Group shall adopt the accounting treatment on the trading day.

The financial assets of the Group 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.

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).

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 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 Group measures the investment in debt instrument at fair value through other comprehensive profit or loss, and the financial assets at amortized cost, to recognize by the expected credit loss and measure the allowance for loss. The debt instrument investment measured at fair value through other comprehensive profit or loss is to recognize the allowance for loss in other comprehensive profit or loss and bot reduce the investment book amount.

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

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

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

A. Measured at 12 months forecast credit losses: including the financial assets of credit risk not significantly increased from the original recognition, or determined as the low credit risk in the balance sheet day. In addition, also including the allowance for loss measured at the expected credit loss of the duration of the previous reporting period, but no longer meet the requirement after the balance sheet day for the significant increase of credit risk after the original recognition.
B. Measurement of the amount of expected credit loss during the term of existence: including the financial assets, whose credit risk has increased significantly since the original recognition, or the financial assets of acquired or created credit impairment.
C. For the account receivable or contract assets generated by the exchange within the scope of IFRS 15, the Group adopts the amount of expected credit losses during the duration of the existence period to measure the allowance

for losses.

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

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 difficulties.

For the loans and receivables, the Group 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 Group shall be derecognized if:

A. The equity from the cash flow contract of financial assets terminates.
B. Financial assets have been transferred and almost all the risks and rewards of the asset ownership have been transferred to others.

C. The assets have neither transferred nor retained almost all the risks and rewards of the ownership, but the control of the assets has transferred.

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

(4) Financial liability and equity instrument

Classification of liability or equity

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

Equity instrument

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

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

(5) Offset of financial asset and liability

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

9. Derivative instruments

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

The original recognition of derivative instrument is measured at the fair value on the date of signing the derivative contract, and measured at the fair value later. When the derivative instrument’s fair value is positive, it is the financial asset; when the derivative instrument’s fair value is negative, it is the financial liability. Fair value change of derivative instrument shall be directly recognized as the profit or loss, unless it involves the cash flow hedging or net investment hedging of foreign operating institutes, which is the effective part, it is recognized under the equity.

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.

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

11. Inventory

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

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

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

Finished goods 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.

12. Investment by equity method

The Group's investment in affiliated enterprises shall be treated by the equity method, except for assets for sale. Affiliated enterprises refer to those who are greatly influenced by the Company. Joint ventures refer to the 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 Group to the net equity change of affiliated enterprise or joint venture. The book amount of investment to affiliate enterprises or joint ventures and other related long-term equity shall recognize the extra loss and liability after adopting the equity method to reduce to zero, within the scope of legal obligation and constructive obligation or payment for associated enterprises. Where the Group generates the unrealized profit or loss in the transactions with affiliate enterprises or joint ventures, it shall be written off in proportion to its equity in the affiliate enterprises or joint ventures.

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

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

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

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

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

estimated future cash flows generated from the final disposal of the investment.

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

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

13. Property, plant and equipment

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

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

Buildings and structures	10~46 years 10~46 years (main structure of the building of 46 years, decoration of 10~15 years)
Machinery equipment	5~15 years
Miscellaneous equipment	3~21 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.

14. 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	10~46 years (main structure of the building of 46 years, decoration of 14~20 years)

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

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

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

15. Lease

The Group as the lessee

The financial lease is to transfer almost all the risks and rewards related to the ownership of lease target to the Group, 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 Group 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 Group as the leaser

The lease in which the Group 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.

16. Intangible asset

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

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

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

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

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

<u>Trademark right</u>

Trademark right is the right legally acquired and purchased.

Patent right

Patent right is the right legally acquired and purchased.

Others

Others refer to the channel right. The channel right shall be amortized in reasonable and systematic way according to the service life of the sales channel obtained by the Company in Europe, America and Asia.

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

	Patent right	Franchise	Channel right
Durable years	10 years	12.5 years	14.5 years
Applied amortization method	Amortizing during the patent right period in the straight-line method	Amortizing during the trademark right period in the straight-line method	Amortizing during the channel right period in the straight-line method
Internal generated or externally acquired	Externally acquired	Externally acquired	Externally acquired

17. Impairment of non-financial assets

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

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

The cash generating unit or group to which the goodwill belongs, with or without evidence of impairment, is subject to the annual impairment test. In the event that the impairment loss is to be recognized as the result of the impairment test, the goodwill shall be deducted firstly, and the balance shall be then apportioned in proportion to the book amount to other assets. The impairment of goodwill, once recognized, shall not be reversed for any reason thereafter.

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

18. Treasury stock

The acquisition of the parent company's stock (treasury stock) by the Group 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.

19. Revenue recognition

Accounting treatments after January 1, 2018 are as below:

Revenues of the Group and from Contracts with Customers are mainly the sales of goods and labor service providing, and the accounting treatments are described below:

Sales of goods

The Group manufactures and sells goods, and recognizes the revenue when transporting the goods to the customer and the customer has its control (namely, the customer leads the use of the goods and acquires almost all of the remaining benefit capacity of the goods); the main products are the optical information service products as CD, organic light emitting diode (OLED) display, conductive glass and green product (solar module/LED/battery related products), and the revenue is recognized based on the contract stated price.

The trading credit period of the Group's sales of goods is 30 days to 150 days; in most of the contracts, when the goods transfers the control and with the unconditional right in the consideration charge, it shall recognize the account receivable, which usually has no significant financial component during the short term. If a small part of the contract has the right to transfer the commodities to the customer but still does not have the right to receive the consideration unconditionally, the contract assets shall be recognized. The contract assets shall also be subject to IFRS 9 on the amount of expected credit losses during the duration of the contract.

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

Accounting treatments before January 1, 2018 are as below:

Revenue shall be recognized when the economic benefit is likely to flow into the Group 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.

The Group shall apportion the fair value of the consideration received for the goods sold under the customer loyalty plan to the sold goods and the customer loyalty plan. In the apportionment process, the fair value of the goods sold under the customer loyalty plan can be separately referred, to measure the relative apportionment amount to the plan. The revenue apportioned to the customer loyalty plan shall be deferred and recognized at the time of exchange.

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 interest revenue is recognized as the profit or loss.

Dividend revenue

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

20. 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.

21. Retirement benefit plan

The Company and domestic subsidiary's employee retirement procedures are applicable to all the formally employed staff, and the staff pension fund is fully managed by the Labour Retirement Reserve Supervision Committee Board, and deposited in the dedicated pension fund account; the above-mentioned pension is deposited in the name of the Retirement Reserve Supervision Committee, which is completely separated with the Company and domestic subsidiary, therefore, it is not listed in the consolidated financial statements. The retirement measures for employees of foreign subsidiaries and branches are handled in accordance with local laws and regulations.

For the retirement benefit plan of defined contribution plan, the Company and domestic subsidiary shall pay in the employee pension contribution rate per month, which shall not be less than 6% of the employee's monthly salary. The amount of contribution shall be recognized as the current expense. Foreign subsidiaries and branches shall allocate according to local specific proportion and recognize as current expenses.

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

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

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

22. 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.

<u>Current income tax</u>

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

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

Deferred income tax

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

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

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

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

(1) transaction with non-business combinations which relates to the deductible temporary difference generated from the original recognition of the assets or liabilities at the time of the transaction with no effect to the accounting profits or the taxable income (loss);
(2) related to the deductible temporary differences arising from the investment to

equity of subsidiaries, affiliated enterprises and joint arrangement, and only probable to recover in the foreseeable future and there is enough tax at the time of recovery to recognize the use of the temporary difference.

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

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

23. Business merger and goodwill

Acquisition method is adopted for the accounting treatment of business merger. The transfer consideration of business merger, the identifiable assets acquired and the liabilities assumed, are the measured by fair value on the acquisition date. Acquirer for each business merger measures the non-controlling equity at fair value or the relative ratio of acquiree’s identifiable net assets. The acquisition related costs shall be the current expenses and include the management fee.

The Group's acquisition of the business shall be based on the contract conditions, economic conditions and other relevant conditions existing at the date of acquisition, and shall be subject to the appropriate evaluation of the classification and designation of assets and liabilities, including the separation of the financial instruments embedded in the main contracts held by the acquiree.

If the business merger is completed in stages, the acquirer's previously held equity of the acquiree shall be re-measured at the fair value on the acquisition date, and the profits or losses generated shall be recognized as current profits and losses.

Contingent consideration expected to transfer by the acquirer will be recognized at the fair value on the acquisition day. For the contingent consideration regarded as assets or liabilities, the subsequent changes in fair value will be recognized as changes in current profit or loss or other comprehensive income in accordance with IFRS 9 (before January 1, 2018, IAS 39). However, when the contingent consideration is classified as equity, it shall not be remeasured before the final settlement under the equity.

The original measurement of goodwill is the total amount of transferred consideration adding non-controlling equity, exceeding the fair value of identifiable assets and liabilities obtained by the Group; if the consideration is less than the fair value of the net assets obtained, the difference shall be recognized as current profit and loss.

Goodwill, after the original recognition, is measured by cost minus the accumulative impairment. Goodwill arising from the business merger shall be amortized to every cash generating unit of the Group expected to benefit from this merger since the acquisition day, no matter other assets or liabilities of the acquiree attribute to such cash generating units or not. Each unit or unit group amortizing the goodwill represents the minimum level of goodwill supervision for internal management purpose, and is not greater than the operating department before summarizing.

Where the disposal includes the cash generating unit of goodwill, the book amount of the disposal includes the goodwill associated with the disposal operation. The disposed goodwill is measured against relative recoverable amount of the disposal operation and the retained portion.

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

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

1. Judgment

In the process of adopting the Group's accounting policies, the management shall make the following judgments that have the most significant impact on the amount recognition of consolidated financial statements:

Judgment on control to subsidiary when not having the majority voting power

When the Company does not hold the majority voting rights of some subsidiaries, it shall consider the comprehensive shareholding ratio of the Group to such company, the board seats, request condition of power of attorney, the great influence of relevant activities and other factors, to judge the control. Please refer to Note IV.

2. Estimate and assumption

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

(1) Impairment of non-financial assets

When the book amount of asset or cash generating unit is greater than its recoverable amount, the impairment occurs. Recoverable amount refers to the fair value deducting the disposal cost and use value, whichever is higher. The calculation of the fair value minus the disposal cost is based on the price that the market participants can collect or transfer the liability to pay on the day of measurement by selling the asset in the orderly transaction, after deducting the incremental cost directly attributable to the disposal asset or cash generating unit. The use value is calculated based on the cash flow discount model. Cash flow estimate is in accordance with the budget over the next decade, and does not include the restructuring not committed by the Group or any significant future investment required to enhance the performance of the cash generating unit under the test. The recoverable amount is vulnerable to the discount rate used in the cash flow discount model and the expected future cash flow and growth rate used for the extrapolation purpose.

(2) Inventory

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

VI. Description of important accounting items

1. Cash and cash equivalent

	December 31, 2018	December 31, 2017
Cash on hand	$3,605	$4,448
Current deposit and cheque deposit	2,433,915	3,161,270
Fixed-term deposit	1,060,218	661,071
Cash equivalents	-	58,266
Total	$3,497,738	$3,885,055

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	$205,058	
Fund	69,988	
Total	$275,046	

Current	$100,513
Non-current	174,533
Total	$275,046

	December 31, 2018 (Note)	December 31, 2017
Held for trading:		
Non-derivative financial assets		
Stock		$48,260
Fund		71,427
Total		$119,687
Current		$119,687
Non-current		-
Total		$119,687

Note: The Group 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 Group's financial assets measured at fair value through profit and loss.

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

	December 31, 2018	December 31, 2017 (Note)
Equity instrument investment measured at fair value through other comprehensive profit or loss:		
Stock of listed company	$101,845	
Stock of unlisted company	240,050	
Total	$341,895	
Current	$6,815	
Non-current	335,080	

Total	$341,895

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

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

The Group 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

	December 31, 2018 (Note)	December 31, 2017
Stock		$467,948
Current		$46,637
Non-current		421,311
Total		$467,948

Note: The Group 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

	December 31, 2018	December 31, 2017 (Note)
Restricted bank deposit	$124,730	
Current	$89,429	
Non-current	35,301	

Total	$124,730

Note: The Group 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. Financial assets measured by cost

	December 31, 2018 (Note)	December 31, 2017
Financial assets available for sale		
Stock		$322,181
Current		$-
Non-current		322,181
Total		$322,181

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

The above unlisted stock investments held by the Group are not measured at fair value, but at cost, because the range of fair value reasonable estimates of the unlisted stock investment held by the Group is significant and it is impossible to reasonably evaluate the probability of various estimates before January 1, 2018, when adopting IAS 39.

There is no guarantee to financial assets measured at cost provided by the Group.

7. Investment on debt instrument without active market

	December 31, 2018 (Note)	December 31, 2017
Restricted bank deposit		$106,691

	December 31, 2018 (Note)	December 31, 2017
Current		$101,791
Non-current		4,900
Total		$106,691

Note: The Group 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 Group shall refer to Note VIII.

8. Bill receivable

	December 31, 2018	December 31, 2017
Bill receivable – arising from operation	$9,031	$18,536
Less: reserve for loss	-	-
Total	$9,031	$18,536

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

9. Account receivable and account receivable - interested party

	December 31, 2018	December 31, 2017
Account receivable	$1,805,889	$1,823,142
Less: reserve for loss	(228,717)	(285,509)
Subtotal	1,577,172	1,537,633
Account receivable - interested party	32	38
Less: reserve for loss	-	-
Subtotal	32	38
Total	$1,577,204	$1,537,671

	December 31, 2018	December 31, 2017
Total investment in lease		
Less than one year	$8,617	$-
More than one year but less than five years	33,616	-
More than five years	69,184	-
Total	111,417	-
Less: unearned financing profit	(61,152)	-
Present value of minimum lease payment receivable	$50,265	$-
Lease receivable		
Current	$1,840	$-
Non-current	48,425	-
Present value of minimum lease payment receivable	$50,265	$-

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

The credit period to the customer is usually 30 to 150 days. The Group 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	$199,374	$239,612
Current incurred (recovered)	6,923	38,974	45,897

amount			
December 31, 2017	$47,161	$238,348	$285,509

As of December 31, 2017, the Group 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 Group 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 impairment	Account receivable overdue but no impairment					
		Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	Total
December 31, 2017	$1,204,726	$253,344	$26,028	$9,755	$2,678	$41,140	$1,537,671

10. Inventory

	December 31, 2018	December 31, 2017
Raw material	$934,007	$600,316
Semi-finished goods and goods in process	1,062,452	835,410
Finished goods	261,089	268,239
Commodity inventory	364,558	400,183
In-transit inventory	156,691	133,837
Total	$2,778,797	$2,237,985

The inventory costs recognized as expense by the Group in 2018 and 2017 are respectively NT$ 8,811,059,000 and NT$ 9,484,981,000, 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$ 81,545,000 and recognized loss from falling price of inventory in 2017 of NT$ 20,662,000.

There is no guarantee to inventory provided by the Group.

11. Investment by equity method

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

	December 31, 2018		December 31, 2017	
Invested company name	Amount	Share-holding Ratio %	Amount	Share-holding Ratio %
Investment to subsidiaries:				
Echem	$53,791	37.86	$59,938	37.86
Cashido	43,541	31.03	46,707	31.03
GoldenRiver	7,414	23.14	6,571	23.14
RiTS Solar	-	-	3,946	49.00
Finesil	35,042	48.93	-	-
Total	$139,788		$117,162	

The Group's investment in affiliated enterprises is not material to the Group. The aggregate book amounts of the affiliated enterprises invested by the Group as of December 31, 2018 and December 31, 2017 are respectively NT$ 139,788,000 and NT$ 117,162,000, and the total financial information is listed as follows according to their shares:

	2018	2017
Net profit (loss) in current period	$(5,150)	$(20,830)
Other comprehensive profit (loss) in current period (net of tax)	844	(2,164)
Total comprehensive profit (loss) in current period	$(4,306)	$(22,994)

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.

12. Property, plant and equipment

	Land and land improvement	Buildings and structures	Machinery equipment	Other equipment	Construction in progress and Equipment to be tested	Total
Cost:						
January 1, 2018	$2,111,305	$8,286,530	$25,599,087	$2,400,588	$1,696,803	$40,094,313
Adding	-	6,786	381,703	8,059	763,386	1,159,934
Acquiring through business merger	-	-	1,024,476	1,200	58,458	1,084,134
Disposal	-	(24,305)	(701,607)	(43,198)	(1,280)	(770,390)
Transfer	-	82,467	1,359,931	10,204	(1,767,766)	(315,164)
Influence of exchange rate change	(37)	(17,980)	(134,910)	(27,532)	5,974	(174,485)
December 31, 2018	$2,111,268	$8,333,498	$27,528,680	$2,349,321	$755,575	$41,078,342
January 1, 2017	$2,111,157	$8,509,565	$29,397,198	$2,328,288	$1,142,547	$43,488,755
Adding	-	1,890	106,886	21,135	926,337	1,056,248
Disposal	-	(105,604)	(3,763,874)	(105,569)	(53,654)	(4,028,701)
Transfer	-	(90,705)	158,096	37,458	(243,792)	(138,943)
Influence of exchange rate change	148	(28,616)	(299,219)	119,276	(74,635)	(283,046)
December 31, 2017	$2,111,305	$8,286,530	$25,599,087	$2,400,588	$1,696,803	$40,094,313
Depreciation and impairment:						
January 1,	$-	$5,036,212	$21,264,913	$1,676,166	$-	$27,977,291

2018						
Depreciation and other loss	-	174,074	1,214,687	91,811	-	1,480,572
Impairment loss (raised profit)	-	-	9,411	-	12	9,423
Disposal	-	(24,082)	(700,081)	(33,884)	-	(758,047)
Transfer	-	14,166	(14,981)	1,940	-	1,125
Influence of exchange rate change	-	(8,530)	(111,719)	(21,429)	-	(141,678)
December 31, 2018	$-	$5,191,840	$21,662,230	$1,714,604	$12	$28,568,686
January 1, 2017	$-	$4,948,334	$23,214,542	$1,634,806	$-	$29,797,682
Depreciation and other loss	-	182,617	1,470,143	103,725	-	1,756,485
Impairment loss (raised profit)	-	57,981	340,642	15	-	398,638
Disposal	-	(93,757)	(3,591,828)	(102,913)	-	(3,788,498)
Transfer	-	(49,602)	20,385	52,859	-	23,642
Influence of exchange rate change	-	(9,361)	(188,971)	(12,326)	-	(210,658)
December 31, 2017	$-	$5,036,212	$21,264,913	$1,676,166	$-	$27,977,291
Net book amount:						
December 31, 2018	$2,111,268	$3,141,658	$5,866,450	$634,717	$755,563	$12,509,656
December	$2,111,305	$3,250,318	$4,334,174	$724,422	$1,696,803	$12,117,022

31, 2017

In 2018 and 2017, due to the low production capacity of some equipment, the expected cash flow determined the use value as the recoverable amount, and the book value was written down to the recoverable amount, resulting in the impairment losses of NT$ 9,423,000 and NT$ 398,638,000 respectively. The impairment losses have been listed in the consolidated income sheet.

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

13. Investment property

	Land	Buildings	Total
Cost:			
January 1, 2018	$55,676	$934,791	$990,467
Disposal	-	(6,502)	(6,502)
Adding – from subsequent expense	-	-	-
Transfer	-	1,836	1,836
December 31, 2018	$55,676	$930,125	$985,801
January 1, 2017	$55,676	$832,646	$888,322
Disposal	-	-	-
Adding – from subsequent expense	-	-	-
Transfer	-	102,145	102,145
December 31, 2017	$55,676	$934,791	$990,467
Depreciation and impairment:			
January 1, 2018	$-	$634,535	$634,535
Depreciation	-	11,345	11,345
Disposal	-	(6,502)	(6,502)
Transfer	-	-	-
December 31, 2018	$-	$639,378	$639,378
January 1, 2017	$-	$576,452	$576,452
Depreciation	-	8,481	8,481
Disposal	-	-	-
Transfer	-	49,602	49,602
December 31, 2017	$-	$634,535	$634,535

Net book amount:			
December 31, 2018	$55,676	$290,747	$346,423
December 31, 2017	$55,676	$300,256	$355,932

	2018	2017
Investment property rental revenue	$62,731	$59,118
Less: Direct operating expense incurred on investment property generating rental revenue for the current period	(11,855)	(10,481)
Direct operating expense incurred on investment property not generating rental revenue for the current period	-	-
Total	$50,876	$48,637

Guarantee to investment property provided by the Group shall refer to Note VIII.

The investment property held by the Group is not measured according to the fair value, but only reveals the information of its fair value, which belongs to Level 3. The fair value of the investment property held by the Group was NT$ 1,030,926,000 and NT$ 1,005,873,000 on December 31, 2018 and December 31, 2017, respectively. On December 31, 2018, the fair value is combined with the estimate according to the similar target's recent transaction price of property transaction actual price query in Ministry of the Interior (NT$ 867,602,000) and the evaluation of independent external expert (NT$ 163,324,000); the determination of fair value is based on market evidence, using the evaluation method of weighted average calculation of income method and comparison method, in which the mainly used input value is the income capitalization rate; the fair value on December 31, 2017 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.

14. Intangible asset

	Trademark right	Patent right	Goodwikk	Other intangible asset	Total
Cost:					

January 1, 2018	$924,211	$493,344	$476,545	$434,978	$2,329,078
Adding – acquiring separately	-	-	-	-	-
Transfer	-	-	-	-	-
Acquiring through business merger	-	-	-	-	-
Influence of exchange rate change	(3,174)	-	-	-	(3,174)
December 31, 2018	$921,037	$493,344	$476,545	$434,978	$2,325,904
January 1, 2017	$916,595	$493,344	$476,545	$434,978	$2,321,462
Adding – acquiring separately	-	-	-	-	-
Transfer	-	-	-	-	-
Acquiring through business merger	-	-	-	-	-
Influence of exchange rate change	7,616	-	-	-	7,616
December 31, 2017	$924,211	$493,344	$476,545	$434,978	$2,329,078

	Trademark right	Patent right	Goodwikk	Other intangible asset	Total
Amortization and impairment:					
January 1, 2018	$737,997	$445,390	$-	$203,621	$1,387,008
Amortization	30,528	13,600	-	28,920	73,048
Impairment	-	-	-	-	-
Transfer	-	-	-	-	-
Influence of exchange rate change	(2,733)	-	-	-	(2,733)

December 31, 2018	$765,792	$458,990	$-	$232,541	$1,457,323
January 1, 2017	$701,782	$429,707	$-	$174,702	$1,306,191
Amortization	30,446	15,683	-	28,919	75,048
Impairment	-	-	-	-	-
Transfer	-	-	-	-	-
Influence of exchange rate change	5,769	-	-	-	5,769
December 31, 2017	$737,997	$445,390	$-	$203,621	$1,387,008
Net book amount:					
December 31, 2018	$155,245	$34,354	$476,545	$202,437	$868,581
December 31, 2017	$186,214	$47,954	$476,545	$231,357	$942,070

Amortization amount recognized as intangible asset as below:

	2018	2017
Operating cost and operating expense	$73,048	$75,048

15. Goodwill impairment test

For the purpose of impairment test, the goodwill acquired due to the business merger is mainly apportioned to the cash generating unit of the storage media department.

The book amount of the goodwill apportioned to the cash generating unit is:

	Storage media department	
	2018.12.31	2017.12.31
Goodwill	$476,545	$476,545

Storage media cash generating unit

The recoverable amount of storage media cash generating unit is determined according to the use value, and the use value is calculated from the cash flow forecast of 10-year financial budget estimated by the management level. The cash flow forecast has been updated to reflect relevant product demand change. The cash flow forecast used discount rate in 2018 and December 31, 2017 is 10.00%.

Key assumptions used to calculate the use value

The use value calculation of storage media cash generating unit is most sensitive to the following assumptions:

(1) discount rate
(2) gross profit rate
(3) market share during the budget period; and
(4) revenue growth rate during the extrapolation budget period

Discount rate – the discount rate represents the specific risk assessment of market to each cash generating unit at that time (time value of money and related assets individual risk not included in the estimates of cash flow). The discount rate calculation is based on the specific situation of the Group and its operating department, and derived from its weighted average cost of capital (WACC). WACC considers the liability and equity at the same time. The equity cost is derived from the expected investment return of the Group investors, and the liability cost is based on the interest-bearing loan obligated to repay by the Group.

Gross profit rate - the gross profit rate is estimated on the basis of the gross profit rate of the most recent year of the financial budget period and considering the future market trends.

Rise in raw material prices - the estimates are derived from the indicators published by the raw material suppliers and relevant commodity specific data. If the predicted data are acquirable publicly, it could be adopted; otherwise, the actual price fluctuations of raw materials in the past will be used as the indicator of future price fluctuations.

Market share assumptions - these assumptions are important because when the management level estimates the growth rate according to industry data, it shall assess the potential changes in the unit's market share relative to competitors during the budget period. The management level expects the Group's storage media product market share shall be stable during the budget period.

Revenue growth rate estimates - based on historical experience, the average long-term growth rate of the Company's budget has been adjusted with the consideration to the speed of product innovation and the overall economic environment.

Sensitivity to assumption change

With regard to the use value assessment of the cash generating unit of storage media, the management level believes that there is no substantial possibility to change the key assumptions mentioned above, so that the book amount of the unit significantly exceeds its recoverable amount.

16. Short-term borrowing

	December 31, 2018	December 31, 2017
Borrowing by financial institutions	$2,119,882	$1,500,535
Interest rate range (%)	1.1063~4.4456	1.2000~5.3320

Up to December 31, 2018 and December 31, 2017, the unused short-term borrowing limits of the Group are respectively NT$ 1,094,175,000 and NT$ 1,865,697,000.

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

17. Short-term notes and bills payable

Guarantee agency	December 31, 2018	December 31, 2017
Commercial paper issued book value	$251,300	$250,000
Less: Discount on short-term notes and bills payable	(321)	(215)
Net amount	$250,979	$249,785
Interest rate range (%)	0.5970~0.8500	0.4500~0.6500

18. 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

19. Long-term borrowing

	December 31, 2018	December 31, 2017
Borrowing by financial institutions	$5,833,833	$4,500,710
Borrowing by non-financial institutions	1,900	6,080
Total	5,835,733	4,506,790
Less: Discount on long-term notes payable	(1,761)	(3,305)
Long-term borrowing maturing within one year or one business cycle	(1,368,912)	(1,145,394)
Net amount	$4,465,060	$3,358,091
Interest rate range (%)	1.6000~3.7611	1.6700~5.9250

(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.

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

A. In addition to the formal replacement of machinery equipment and the sale of inventories, the majority of the guarantor bank's consent shall be required in the event of the sale, transfer, loan, lease or other disposal of all or substantial part of the assets, or in the case of material change of business or undertaking.

Subsidiary Ritdisplay signed the joint credit contract supplementary agreement with the joint credit syndicate on June 21, 2013, and the payment terms indicated the first installment payment on December 11, 2014, and every six months as one installment, to pay back in five installments averagely. Within the newly increased grace period, Ritdisplay was exempted for the test to above financial ratio and the tangible net value commitment, and Ritdisplay also agreed to pay compensation calculated on 0.15% of the outstanding principal to the joint credit syndicate at the end of the year.

In addition, the subsidiary Ritdisplay also signed the joint credit contract supplementary agreement with the joint credit syndicate on December 8, 2015; within the newly increased grace period (2011 ~ 2017), Ritdisplay was exempted for the test to above financial ratio commitment, and Ritdisplay also agreed to pay compensation calculated on 0.15% of the outstanding principal to the joint credit syndicate at the end of the year.

And also, the subsidiary Ritdisplay signed the credit contract of NT$ 1.5 billion with the joint credit syndicate as Bank of Taiwan on July 28, 2016 for the unliquidated balance of participating loan case of NT$ 9.1 billion plus the medium-term operation revolving funds, with the loan period from August 15, 2016 to August 15, 2021, and the payment method is to pay the first installment payment after 6 months from the date of the first use, then every 6 months as one installment, to pay back in 10 installments averagely.

B. Financial commitment of joint loan

Maintain the following financial ratios and agreements:

(a) current ratio (current assets/current liabilities): above 80% at the end of 2016 and 2017, above 90% in the first half year of 2018, and above 100% at the end of 2018.

(b) liability ratio (total liability/net tangible value): below 350% at the end of 2016, below 250% at the end of 2017, below 200% from 2018 to 2019, and below 150% from 2020.

(c) interest cover ratio [(net profit before tax + depreciation + amortization + interest expense) / interest expense]: above 5 times at the end of 2016 and above 6 times from 2017.

(d) net tangible value (shareholders' equity - intangible asset): above NT$500,000,000 at the end of 2016, and above NT$ 1,000,000,000 from 2017.

The above ratio and standard shall be checked every six months according to the individual financial reports of the year (half year) of the accountant audit (review) visa.

C. The outstanding loan balances of above joint credit loans on December 31, 2018 and December 31, 2017 were respectively NT$ 973,010,000 and NT$ 1,065,290,000.

(4) The subsidiary U-Tech signed the credit and commitment contract of NT$150,000,000 with Wang Daoyin on February 2018. The main commitments in above credit case was that the net tangible value of the consolidated financial statements shall be no less than NT$ 2.2 billion, which shall be reviewed according to the annual and semi-annual consolidated financial statements verified / approved by the accountant.

(5) The financial ratio of the Group as of December 31, 2018 is in compliance with the aforementioned bank loan contracts.

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

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

20. Retirement benefit plan

Defined contribution plan

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

Subsidiary within the territory of Mainland China shall draw the pension insurance in certain proportion of the total employee salary in accordance with local government laws and regulations, to pay to each separate special account of employees in relevant government department.

The Group's other foreign subsidiary and branch shall draw the pension contributions to relevant pension management entity in accordance with local laws and regulations.

The Group confirmed and recognized transfer program costs in 2018 and 2017 are NT$61,197,000 and NT$79,194,000, respectively.

The increased pension expenses for appointed manager of subsidiary Ritdisplay in 2018 and 2017 were NT$6,345,000 and NT$6,922,000, respectively.

Defined benefit plan

The employee pension plan established by the Company and domestic subsidiary in accordance with the "Labor Standards Law" is the defined benefit plan, and the payment of the employee pension is calculated based on the base of service experience and the average monthly salary at the time of approved retirement. Two bases shall be given for each year of service less than 15 years (included), and one base shall be given for each year of service more than 15 years, provided that the maximum accumulative base number shall be 45. The Company and domestic subsidiary shall, in accordance with the Labor Standards Law, contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited in the special account in the name of the Labor Retirement Reserve Supervision Committee in the Bank of Taiwan. In addition, the Company and domestic subsidiary shall, before the end of each fiscal year, estimate the balance of the aforesaid labor retirement reserve account. If the balance is less than the amount of the aforesaid pension for the workers who are eligible for retirement in the next fiscal year, the 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$14,434,000 for the next year.

As of December 31, 2018 and December 31, 2017, the weighted average duration of defined benefit plan of the Group is 13 to 16 years and 14 to 18 years respectively.

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

	2018	2017
Current service cost	$892	$1,044
Net interest of net defined benefit liability (asset)	2,455	2,564
Previous service cost	-	-
Total	$3,347	$3,608

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	$417,454	$430,097
Fair value of plan asset	271,751	273,562
Net amount of net defined benefit liability (asset)	$145,703	$156,535

Information expressed in assets and liabilities is as follows:

	December 31, 2018	December 31, 2017
Net defined benefit assets (listed in other non-current assets)	$(8,575)	$(6,770)
Net defined benefit liabilities	$154,278	$163,305

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	$420,112	$273,395	$146,717
Current service cost	1,305	-	1,305
Interest expense (revenue)	7,249	4,947	2,302
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	428,666	278,342	150,324
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	1,068	-	1,068
Financial assumption change generated actuarial profit or loss	7,239	-	7,239
Experience adjustment	11,267	-	11,267
Defined benefit asset remeasurement amount	-	(2,244)	2,244
Subtotal	19,574	(2,244)	21,818
Benefit of payment	(18,143)	(18,143)	-
Employer contribution amount	-	15,607	(15,607)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2017	430,097	273,562	156,535
Current service cost	1,262	-	1,262
Interest expense (revenue)	6,663	4,578	2,085
Previous service cost and liquidation profit or loss	-	-	-
Subtotal	438,022	278,140	159,882
Defined benefit liability /asset remeasurement amount:			
Demographic assumption change generated actuarial profit or loss	284	-	284
Financial assumption change generated actuarial profit or loss	7,591	-	7,591
Experience adjustment	(881)	-	(881)
Defined benefit asset	-	6,671	(6,671)

remeasurement amount			
Subtotal	6,994	6,671	323
Benefit of payment	(27,562)	(27,562)	-
Employer contribution amount	-	14,502	(14,502)
Effects of Changes in Foreign Exchange Rates	-	-	-
December 31, 2018	$417,454	$271,751	$145,703

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%

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 increasing 0.5%	$-	$26,209	$-	$29,933
Discount rate decreasing 0.5%	28,705	-	32,962	-
Expected salary increasing 0.5%	28,725	-	33,001	-
Expected salary decreasing 0.5%	-	26,485	-	30,257

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.

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	$950,835	$937,005

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 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.

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.

(5) Non-controlling interest

	2018	2017
Beginning balance (according to IAS 39)	$4,154,110	$4,233,326

	2018	2017
Influence number for retroactive application and retroactive recompilation	(4,955)	-
Beginning balance (according to IFRS 9)	4,149,155	4,233,326
Current net profit attributed to non-controlling interest	58,321	132,310
Other comprehensive profit or loss attributed to non-controlling interest:		
Exchange difference of financial statements conversion of foreign operating institutes	(10,858)	(9,503)
Unrealized estimate profit or loss of financial assets available for sale	-	(81,426)
Unrealized profit or loss of financial assets measured at fair value through other comprehensive profit or loss	(47,934)	-
Actuarial profit or loss of defined benefit plan	124	-
Actually acquired or sold subsidiary share	(25,253)	(123,541)
New share issued by subsidiary not subscribed according to shareholding ratio	(747)	89,908
Subsidiary issued cash dividend	(93,033)	(41,071)
Subsidiary handled cash capital deduction	-	(64,698)
Acquiring through business merger	7,939	18,805
Ending balance	$4,037,714	$4,154,110

22. Operating revenue

	2018	2017
Revenue from Contracts with Customers		
Revenue from sales of goods	$9,237,006	$9,744,047
Other operating revenue	121,655	53,062
Total	$9,358,661	$9,797,109

Note: The Group 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

2018

	Storage media department	OLED department	Other department	Total
Sales of goods	$5,853,173	$2,519,944	$985,544	$9,358,661
Revenue recognition time and place:				
In certain time and place	$5,853,173	$2,519,944	$985,544	$9,358,661

(2) Contract balance

A. Contract liability – current

	Beginning balance	Ending balance	Difference
Sales of goods	$108,838	$65,334	$(43,504)

From January 1 to December 31, 2018, the contract liability balance of the Group decreases sharply due to majority performance obligations have been met, in which, NT$ 108,838,000 is the beginning balance and recognized as revenue in current period.

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

No.

23. Expected credit impairment loss

	2018	2017 (Note)
Operating expense – expected credit impairment interest		
Account receivable	$(13,389)	
Non-operating revenue and expense – expected credit impairment loss		
Other receivables	10	
Total	$(13,379)	

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

Credit risk related information shall refer to Note XII.

The Group's receivables (including the bill receivable, account receivable and other receivable) adopts the expected amount of credit loss during the existence term of the 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$ 9,031,000 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$ 99,547,000. 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					
	Not overdue	Within 30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Total book amount	$1,246,216	$180,214	$83,205	$30,997	$12,718	$252,571	$1,805,921

Loss ratio (%)	0%	1%	2%	5%	10%	20~100%	
Expected credit loss during the term of existence	-	1,802	1,664	1,550	1,272	222,429	228,717
Book value	$1,246,216	$178,412	$81,541	$29,447	$11,446	$30,142	$1,577,204

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

	Bill receivable	Account receivable	Other receivables
Beginning balance (according to IAS 39)	$-	$285,509	$990
Beginning retained surplus adjustment	-	-	-
Beginning balance (according to IFRS 9)	-	285,509	990
Current increased (recovered) amount	-	(13,389)	10
Offset for unrecoverable	-	(42,863)	-
Exchange rate change	-	(540)	-
Ending balance	$-	$228,717	$1,000

24. Operating lease

(1) The Group as the lessee

The Group has entered into the commercial lease contract with the average term of one to five year, and all lease contracts contain the terms subject to annual rent adjustments in accordance with market conditions.

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	$22,806	$1,838
More than one year but less than five years	63,787	6,720

More than five years	117,297	-
Total	$203,890	$8,558

Operating lease recognized expense is as below:

	2018	2017
Minimum rental payment	$20,086	$16,637

(2) The Group as the leaser

The Company enters into the commercial property lease contract with the remaining years between 1 to 6 years. All lease contracts contain the 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	$140,693	$150,545
More than one year but less than five years	272,743	403,482
More than five years	83,002	83,002
Total	$496,438	$637,029

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	$1,141,135	$398,189	$-	$1,539,324
Labor insurance expense	104,577	28,375	-	132,952

Pension expense	46,946	23,943	-	70,889
Other staff welfare expense	25,199	9,797	-	34,996
Depreciation expense	1,057,829	329,585	104,503	1,491,917
Amortization expense	52,700	65,320	6,268	124,288

Nature\Function	2017			
	Operating cost	Operating expense	Non-operating expense	Total
Staff welfare expense				
Salary expense	$1,204,968	$439,064	$-	$1,644,032
Labor insurance expense	106,316	32,312	-	138,628
Pension expense	50,018	39,706	-	89,724
Other staff welfare expense	24,464	9,207	-	33,671
Depreciation expense	1,212,672	400,996	151,298	1,764,966
Amortization expense	83,022	66,769	7,460	157,251

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.

26. Non-operating revenue and expense

(1) Other revenue

	2018	2017
Interest revenue (Note)	$21,445	$11,111
Rental revenue	148,245	140,012
Dividend revenue	38,572	13,613
Other revenue	49,830	79,890
Total	$258,092	$244,626

Note: The Group 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
Net profit (loss) from disposal of property, plant and equipment	$74	$(122,924)
Net profit (loss) from disposal of investment	(177)	267,003
Net foreign currency exchange profit (loss)	80,802	(174,890)
Financial assets / (liability) profit / (loss) measured at fair value through profit or loss (Note)	(66,438)	1,111
Impairment losses on financial assets	-	(5,887)
Impairment losses on non-financial assets	(9,423)	(398,638)
Profit from buy cheap	19,359	-
Miscellaneous expense	(145,377)	(210,420)
Total	$(121,180)	$(644,645)

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.

(3) Financial cost

	2018	2017
Interest of bank and other borrowings	$153,131	$143,084

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	$(317)	$-	$(317)	$-	$(317)
Unrealized evaluation profit or loss of equity instrument investment measured at fair value through other comprehensive profit or loss	(146,994)	-	(146,994)	-	(146,994)
Items possible to be reclassified to profit or loss in the future:					
Exchange difference of financial statements conversion of foreign operating institutes	(48,330)	-	(48,330)	2,312	(46,018)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	844	-	844	-	844
Total	$(194,797)	$-	$(194,797)	$2,312	$(192,485)

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	$(18,729)	$-	$(18,729)	$-	$(18,729)
Items possible to be reclassified to profit or loss in the future:					
Exchange difference of financial statements conversion of foreign operating institutes	(210,322)	(5,653)	(215,975)	(1,375)	(217,350)
Profit or loss of unrealized estimate of financial assets available for sale	86,865	(261,350)	(174,485)	-	(174,485)
Shares of other comprehensive profit or loss of subsidiary, affiliated enterprises and joint venture recognized by equity method	(2,164)	-	(2,164)	-	(2,164)
Total	$(144,350)	$(267,003)	$(411,353)	$(1,375)	$(412,728)

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%.

(1) 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	$19,963	$44,952
Current income tax of previous year adjusted in current period	304	(957)
Deferred income tax expense:		
Deferred income tax expenses related to original generation of temporary difference and its recovery	27,495	(18,429)
Deferred income tax related to original generation and recovery of tax loss and income tax deduction	246,254	332,138
Deferred income tax related to tax rate change or new tax levy	(103,796)	-
Deferred income tax asset offset (recovery of previous offset)	(8,856)	-
Income tax expense	$181,364	$357,704

Income tax recognized as other comprehensive profit or loss

	2018	2017
Deferred income tax expense (benefit):		
Exchange difference of financial statements conversion of foreign operating institutes	$(2,312)	$1,375

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

	2018	2017
Pre-tax loss from continuous operating entity	$(1,053,138)	$(1,940,441)
Tax calculated according to applicable domestic tax rate of income of relevant country	$(459,262)	$(843,476)
Tax-exempt income tax influence number	(56,379)	(45,950)
Non-deductible expense income tax influence number in tax declaration	13,425	26,956
Deferred income tax asset / liability income tax influence number	665,952	1,176,179
Additional 10% income tax levied on undistributed surplus	15,871	21,231

Basic income tax for profit-making business	1,453	23,529
Effect of different tax rates applicable to individuals operating in other tax jurisdictions	-	192
Adjustment in current year of current income tax of previous year	304	(957)
Total income tax expense recognized as profit or loss	$181,364	$357,704

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

2018

	Beginning balance	Recognized as profit or loss	Recognized as other comprehensive profit or loss	Combined acquisition	Ending balance
Temporary difference					
Profit of unrealized foreign currency exchange	$1,873	$(17,066)	$-	$-	$(15,193)
Loss of unrealized foreign currency exchange	-	854	-	-	854
Unrealized inventory depreciation loss	13,092	(3,120)	-	-	9,972
Bad debt reserve recognition	27,628	(5,996)	-	-	21,632
Unrealized profit between the affiliated companies	21,221	6,543	-	-	27,764
Year-end bonus	8,833	3,128	-	-	11,961
Unrealized asset depreciation loss	-	3,602	-	-	3,602
Fiscal and tax differences in depreciation	-	(2,393)	-	(18,665)	(21,058)
Unrealized fire loss	2,574	454	-	-	3,028
Net defined benefit liability – non-current	2,158	1,652	-	-	3,810
Unused tax loss	509,113	(148,755)	-	-	360,358

Exchange difference of financial statements conversion of foreign operating institutes	9,825	-	2,312	-	12,137
Deferred income tax (expense) / benefit		$(161,097)	$2,312	$(18,665)	
Deferred income tax asset / (liability) net amount	$596,317				$418,867
Information expressed in balance sheet as below:					
Deferred income tax asset	$596,317				$455,203
Deferred income tax liability	$-				$(36,336)

2017

	Beginning balance	Recognized as profit or loss	Recognized as other comprehensive profit or loss	Ending balance
Temporary difference				
Profit of unrealized foreign currency exchange	$(6,926)	$8,799	$-	$1,873
Loss of unrealized foreign currency exchange	1,728	(1,728)	-	-
Unrealized inventory depreciation loss	17,074	(3,982)	-	13,092
Bad debt reserve recognition	20,491	7,137	-	27,628
Unrealized profit between the affiliated companies	16,663	4,558	-	21,221
Year-end bonus	8,323	510	-	8,833
Unrealized asset depreciation loss	4,582	(4,582)	-	-
Unrealized fire loss	2,574	-	-	2,574
Net defined benefit liability – non-current	1,241	917	-	2,158
Unused tax loss	834,451	(325,338)	-	509,113
Exchange difference of financial statements conversion of foreign	11,200	-	(1,375)	9,825

operating institutes				
Deferred income tax (expense) / benefit		$(313,709)	$(1,375)	
Deferred income tax asset / (liability) net amount	$911,401			$596,317
Information expressed in balance sheet as below:				
Deferred income tax asset	$918,327			$596,317
Deferred income tax liability	$(6,926)			$-

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

The Company

Incurrence year	Loss amount	Unused balance December 31, 2018	Unused balance December 31, 2017	Final deductible year
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
Total		$20,302,767	$22,930,573	

Incurrence year	Loss amount	Unused balance December 31, 2018	Unused balance December 31, 2017	Final deductible year
2008	$98,530	$-	$98,530	2018
2009	112,145	112,145	112,145	2019
2010	197,635	197,635	197,635	2020
2011	109,721	109,721	109,721	2021

2013	42,790	42,790	42,790	2023
2014	3,363	3,363	3,363	2024
Total		$465,654	$564,184	

Subsidiary: Ritdisplay

Incurrence year	Loss amount	Unused balance December 31, 2018	Unused balance December 31, 2017	Final deductible year
2008	$1,227,192	$-	$1,227,192	2018
2009	895,793	895,793	895,793	2019
2010	465,480	465,480	465,480	2020
2011	394,751	394,751	394,751	2021
2012	245,887	245,887	245,887	2022
2013	513,187	513,187	513,187	2023
2014	303,602	303,602	303,602	2024
Total		$2,818,700	$4,045,892	

Subsidiary: Prorit

Incurrence year	Loss amount	Unused balance December 31, 2018	Unused balance December 31, 2017	Final deductible year
2008	$183,976	$-	$183,976	2018
2009	169,949	169,949	169,949	2019
2010	63,372	63,372	63,372	2020
2011	47,171	47,171	47,171	2021
2012	48,312	48,312	48,312	2022
2013	23,547	23,547	23,547	2023
Total		$352,351	$536,327	

Subsidiary: Laiyang

Incurrence year	Loss amount	Unused balance December 31, 2018	Unused balance December 31, 2017	Final deductible year
2012	$112,730	$112,730	$112,730	2022
2013	133,762	133,762	133,762	2023

2014	227,601	227,601	227,601	2024
2015	202,405	202,405	202,405	2025
2016	168,792	168,792	168,792	2026
2017	160,906	160,906	160,906	2027
2018	381,551	381,551	-	2028
Total		$1,387,747	$1,006,196	

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 Group was respectively NT$ 6,931,537,000 and NT$ 6,640,136,000.

(2) Income tax declaration approval condition

As of December 31, 2018, the income tax declaration approval condition of the Company and domestic subsidiary is as below:

	Income tax declaration approval condition
The Company	Approved to 2016
Subsidiary U-Tech	Approved to 2016
Subsidiary AimCore	Approved to 2016
Subsidiary Ritdisplay	Approved to 2016
Subsidiary Prorit	Approved to 2016
Subsidiary Laiyang	Approved to 2016

29. Loss per share

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

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

	2018	2017
Basic loss per share		

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

The Group 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.

30. Business merger

Subsidiary acquisition

In October 2018, the Group acquired 98.72% shares of right to vote of Houju Energy Development Co., Ltd. (hereinafter referred to as Houju). It is an unlisted company engaged in the renewable energy self-use power generation equipment industry. The Group acquired the company because of diversified operation and the use of renewable energy to maintain the earth's sustainable cycle.

The fair value of Subsidiary – Houju's identifiable asset and liability on the acquisition day is as follows:

	Fair value in acquisition day
Asset	
Cash and cash equivalents	$59,384
Account receivable	9,993
Lease payment receivable (including non-current)	50,676
Other current asset	57,724
Financial asset measured at fair value through profit and loss - non-current	4,493
Investment by equity method (Note)	966
Property, plant and equipment	1,084,134
Other non-current asset	111,664
Subtotal	1,379,034

	Fair value in acquisition day
Liability	
Short-term borrowing	5,000
Short-term notes and bills payable	26,741
Notes payable	1,533
Other payables	16,098
Current income tax liability	8,472
Other current liability	283
Long-term loan (including within one year)	751,704
Deferred income tax liability	18,665
Subtotal	828,496
Identifiable net asset	$550,538

Note: It is the subsidiary 100% held by Houju - Houcheng Photoelectricity Co., Ltd. (hereinafter referred to as Houcheng). The fair value of Houcheng's identifiable asset and liability on the acquisition day includes the cash and cash equivalents of NT$ 974,000, other current assets of NT$ 10,000 and other payables of NT$ 18,000.

	Fair value in acquisition day
Amount of buy cheap profit as follows:	
Acquisition consideration	$523,240
Add: non-controlling equity value	7,939
Less: identifiable net asset fair value	(550,538)
Buy cheap profit	$(19,359)

The revenue produced by the subsidiary to the Group from the acquisition day is NT$37,636,000 , with the net profit before tax of NT$ 10,781,000. If the merger occurs at the beginning of the year, the revenue of continuous operating unit of the Group shall be NT$ 9,496,160,000, and the net loss of continuous operating unit shall be NT$ 959,632,000.

Acquisition cash use analysis:	
Cash paid consideration	$523,240
Net cash acquired from subsidiary – Houju	(59,384)
Net cash acquired from subsidiary – Houcheng	(974)
Acquired net cash flow	$462,882

The acquisition consideration of the Group acquiring the subsidiary – Houju is NT$ 523,240,000, in which part of the price has been paid actually in this year. As of December 31, 2018, the unpaid investment price is NT$ 30,000,000, and recognized in other payables.

31. Change of subsidiary ownership equity

Acquiring the subsidiary issued share

The Group additionally acquired 3.25% voting share of U-Tech in 2018. The cash consideration paid to non-controlling equity shareholder was NT$ 55,508,000, and the additional acquired stock equity book amount of U-Tech (originally acquired and excluding the goodwill) was NT$ 74,041,000; the increase (decrease) amount of relevant equity including the non-controlling equity of U-Tech was as below:

Cash consideration paid by the Group to non-controlling shareholder	$(55,508)
Non-controlling equity decreased amount	60,402
Difference of capital surplus recognized in equity	$4,894

The Group additionally acquired 0.15% voting share of AimCore in 2018. The cash consideration paid to non-controlling equity shareholder was NT$ 1,800,000, and the additional acquired stock equity book amount of AimCore (originally acquired and excluding the goodwill) was NT$ 3,946,000; the increase (decrease) amount of relevant equity including the non-controlling equity of AimCore was as below:

Cash consideration paid by the Group to non-controlling shareholder	$(2,064)
Non-controlling equity decreased amount	2,673
Difference of capital surplus recognized in equity	$609

The Group additionally acquired 0.61% voting share of Ritdisplay in 2018. The cash consideration paid to non-controlling equity shareholder was NT$ 27,248,000, and the additional acquired stock equity book amount of Ritdisplay (originally acquired and excluding the goodwill) was NT$ 9,099,000; the increase (decrease) amount of relevant equity including the non-controlling equity of Ritdisplay was as below:

Cash consideration paid by the Group to non-controlling shareholder	$(27,248)
Non-controlling equity decreased amount	22,863
Difference of capital surplus recognized in equity	$(4,385)

The Group additionally acquired 6.59% voting share of U-Tech in 2017. The cash consideration paid to non-controlling equity shareholder was NT$ 105,148,000, and the additional acquired stock equity book amount of U-Tech (originally acquired and excluding the goodwill) was NT$ 149,511,000; the increase (decrease) amount of relevant equity including the non-controlling equity of U-Tech was as below:

Cash consideration paid by the Group to non-controlling shareholder	$(105,148)
Non-controlling equity decreased amount	149,511
Difference of capital surplus recognized in equity	$44,363

Selling the subsidiary share

The Group sold 1.63% voting share of Ritdisplay in 2018. The cash consideration acquired from non-controlling equity shareholder was NT$ 72,052,000, and the sold stock equity book amount of Ritdisplay was NT$ 23,277,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritdisplay was as below:

Cash consideration of the Group acquired from non-controlling shareholder	$72,052
Non-controlling equity increased amount	(60,049)
Difference of capital surplus recognized in equity	$12,003

The Group sold 0.02% voting share of U-Tech in 2018. The cash consideration acquired from non-controlling equity shareholder was NT$ 598,000, and the sold stock equity book amount of U-Tech was NT$ 681,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of U-Tech was as below:

Cash consideration of the Group acquired from non-controlling shareholder	$598
Non-controlling equity increased amount	(636)
Difference of capital surplus recognized in equity	$(38)

The Group sold 0.34% voting share of U-Tech in 2017. The cash consideration acquired from non-controlling equity shareholder was NT$ 5,349,000, and the sold stock equity book amount of U-Tech was NT$ 7,633,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of U-Tech was as below:

Cash consideration of the Group acquired from non-controlling shareholder	$5,349
Non-controlling equity increased amount	(7,633)
Difference of capital surplus recognized in equity	$(2,284)

The Group sold 2.12% voting share of Ritdisplay in 2017. The cash consideration acquired from non-controlling equity shareholder was NT$ 90,310,000, and the sold stock equity book amount of Ritdisplay was NT$ 18,337,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritdisplay was as below:

Cash consideration of the Group acquired from non-controlling shareholder	$90,310
Non-controlling equity increased amount	(18,337)
Difference of capital surplus recognized in equity	$71,973

Subscribing the subsidiary issued new share by capital increase not in shareholding ratio

The special stock of subsidiary Laiyang held by the Group was converted to the common stock on July 24, 2018 according to the issue term, and the Group thus increased 0.86% stock equity. The Group paid capital increase cash was NT$ 49,999,000, and the net asset book amount of Laiyang (originally acquired and excluding the goodwill) was NT$ 154,949,000; the increase (decrease) amount of increased relevant equity including the non-controlling equity of Laiyang was as below:

The Group paid capital increase cash	$-
Non-controlling equity decreased amount	747
Difference of capital surplus recognized in equity	$747

The subsidiary Laiyang issued the new stock for capital increase on February 14, 2017 and August 2, 2017, and the Group subscribed in full, thus increased 33.79% stock equity. The Group paid capital increase cash was NT$ 165,000,000 and NT$ 100,000,000 respectively, and the net asset book amount of Laiyang (originally acquired and excluding the goodwill) was NT$ (158,754),000 and NT$ 10,240,000 respectively; the increase (decrease) amount of increased relevant equity including the non-controlling equity of Laiyang was as below:

The Group acquired capital increase cash	$-
Non-controlling equity increased amount	(59,897)
Difference of capital surplus recognized in equity	$(59,897)

The subsidiary Ritdisplay issued the new stock for capital increase on November 7, 2017, and the Group subscribed partially, thus decreased 0.16% stock equity. The Group acquired capital increase cash was NT$ 34,771,000, and the net asset book amount of Ritdisplay (originally acquired and excluding the goodwill) was NT$ 982,235,000; the increase (decrease) amount of reduced relevant equity including the non-controlling equity of Ritdisplay was as below:

The Group acquired capital increase cash	$34,771
Non-controlling equity book amount	(30,011)
Difference of capital surplus recognized in equity	$4,760

32. Subsidiary with significant non-controlling equity

The financial information of subsidiary with significant non-controlling equity is listed as below:

Non-controlling equity held equity ratio:

Subsidiary name	Company and operation located region	2018.12.31	2017.12.31
U-Tech	Taiwan	60.80%	64.03%
AimCore	Taiwan	75.24%	75.39%
Ritdisplay	Taiwan	29.42%	28.40%

Accumulative balance of significant non-controlling equity:

	2018.12.31	2017.12.31
U-Tech	$1,337,168	$1,458,165
AimCore	1,960,121	1,984,856
Ritdisplay	411,064	311,459

Profit (loss) amortized significant non-controlling equity:

	2018	2017
U-Tech	$43,238	$89,357
AimCore	(16,046)	35,877
Ritdisplay	101,751	108,521

Dividend paid for significant non-controlling equity:

	2018	2017
U-Tech	$53,260	$31,875
AimCore	30,937	5,321
Ritdisplay	8,836	3,875

The financial information summary of such subsidiary is provided as below, and this information is based on the amount before elimination between the companies (trading).

Profit and loss summary information of 2018:

	U-Tech	AimCore	Ritdisplay
Operating revenue	$790,567	$722,072	$2,519,944
Current net profit of continuous operating unit	62,893	27,066	340,445
Total comprehensive profit and loss	$14,198	$12,890	$327,077

Profit and loss summary information of 2017:

	U-Tech	AimCore	Ritdisplay
Operating revenue	$815,563	$984,988	$2,262,373
Current net profit of continuous operating unit	128,804	55,512	378,420
Total comprehensive profit and loss	$112,122	$(6,949)	$326,104

Information of asset and liability summary on December 31, 2018:

	U-Tech	AimCore	Ritdisplay
Current asset	$1,226,400	$1,193,533	$1,172,202

Non-current asset	2,985,716	2,009,096	2,476,622
Current liability	593,935	179,206	1,110,204
Non-current liability	1,269,044	414,094	1,069,345

Information of asset and liability summary on December 31, 2017:

	U-Tech	AimCore	Ritdisplay
Current asset	$1,322,352	$1,207,261	$1,185,744
Non-current asset	1,657,558	1,893,865	2,468,343
Current liability	428,498	307,306	1,388,347
Non-current liability	270,530	156,967	1,094,829

Cash flow summary information of 2018:

	U-Tech	AimCore	Ritdisplay
Operating activity	$132,771	$221,406	$44,539
Investing activity	(474,495)	(285,881)	(86,966)
Financing activity	243,843	233,046	(171,176)
Net increase (decrease) of cash and cash equivalents	(99,042)	167,643	(213,603)

Cash flow summary information of 2017:

	U-Tech	AimCore	Ritdisplay
Operating activity	$91,385	$188,971	$292,891
Investing activity	405,070	17,961	(487,677)
Financing activity	(123,404)	(74,392)	482,494
Net increase of cash and cash equivalents	376,660	132,103	287,708

VII. Interested party transactions

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

Interested party name and relationship

Interested party name	Relationship with the Group
Echem Hightech Co., Ltd.	Affiliated enterprise of the Group
Cashido Corporation	Affiliated enterprise of the Group
RiTS Solar B.V.	Affiliated enterprise of the Group
Finesil Technology Inc.	Affiliated enterprise of the Group
O-View Technology Co., Ltd.	The subsidiary is the director of corporate juridical person of the company
Ritek Foundation	The same person with the Chairman of the Company

Major transaction between the interested parties

1. Sales

	2018	2017
Affiliated enterprise of the Group		
Cashido Corporation	$470	$59
Echem Hightech Co., Ltd.	49	1,737
RiTS Solar B.V.	-	1,794
Other	42	-
Subtotal	561	3,590
Other interested party	20	93
Total	$581	$3,683

The selling price of the Group to the interested parties is negotiated in accordance with the general market conditions; when the Group sells to the affiliated enterprises, the collection term shall be similar to the domestic customer, to receive the payment in 90 to 150 days.

2. Purchase

	2018	2017
Affiliated enterprise of the Group		
Echem Hightech Co., Ltd.	$23,487	$25,029
Finesil Technology Inc.	17,979	-

RiTS Solar B.V.	-	18,871
Other	3,521	2,518
Subtotal	44,987	46,418
Other interested party	59	133
Total	$45,046	$46,551

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

3. Account receivable - interested party

	December 31, 2018	December 31, 2017
Affiliated enterprise of the Group		
Finesil Technology Inc.	$32	$-
RiTS Solar B.V.	-	38
Subtotal	32	38
Less: Reserve for loss	-	-
Net amount	$32	$38

4. Other receivable - interested party

	December 31, 2018	December 31, 2017
Affiliated enterprise of the Group		
Cashido Corporation	$11,519	$5
Other	32	-
Subtotal	11,551	5
Other interested party		
Ritek Foundation	2,942	-
Total	$14,493	$5

5. Refundable deposit

	2018.12.31	2017.12.31
Other interested party		

	2018.12.31	2017.12.31
Ritek Foundation	$30,000	$-

6. Notes payable - interested party

	December 31, 2018	December 31, 2017
Affiliated enterprise of the Group		
Echem Hightech Co., Ltd.	$2,837	$12,194
Other interested party	-	183
Total	$2,837	$12,377

7. Account payable - interested party

	December 31, 2018	December 31, 2017
Affiliated enterprise of the Group		
Echem Hightech Co., Ltd.	$2,051	$3,312
Cashido Corporation	978	609
Other	69	-
Subtotal	3,098	3,921
Other interested party		
O-View	4,476	6
Total	$7,574	$3,927

8. Reward to main management personnel of the Group

	2018	2017
Short-term staff welfare	$38,014	$34,315
Benefit after retirement	820	955
Total	$38,834	$35,270

VIII. Pledged asset

The Group has the following asset as the pledge:

	Book amount		
Item	December 31, 2018	December 31, 2017	Secured liability
Financial assets measured at fair value through other comprehensive profit or loss	$61,955	(Note)	Bank loan
Financial assets available for sale – non-current	(Note)	$113,100	Bank loan and subsidiary loan endorsement guarantee
Financial assets measured at amortized cost	124,730	(Note)	Bank loan, bond, lease and performance bond
Investment to debt instrument without active market	(Note)	106,691	Bank loan, bond, lease and performance bond
Account receivable	310,230	463,397	Bank loan
Rental receivable	43,487	-	Bank loan and performance bond
Property, plant and equipment	7,262,027	5,595,331	Short-term notes and bills payable, bank loan and performance bond
Investment property	270,659	279,240	Bank loan
Long-term prepaid rent - land use right (listed in other non-current assets)	13,666	14,038	Bank loan

	Book amount		
Item	December 31, 2018	December 31, 2017	Secured liability
Restricted assets (listed in other non-current assets)	122,097	-	Bank loan and performance bond
Total	$8,208,851	$6,571,797	

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

In addition, the Group provides part of the held stock of subsidiary U-Tech, AimCore and Prorit on December 31, 2018 and December 31, 2017 for bank loan guarantee.

IX. Material contingent liabilities and unrecognized contractual commitments

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

Currency	Amount (unit: NT$ 1,000)
US dollar	$2,304
Japanese yen	25,115
New Taiwan dollar	13,877

2. The guarantee notes issued by the Group for the purchase of machinery equipment, long-term loans, credit loans for raw materials, lawsuits and issuance of commercial promissory notes are respectively NT$ 1,039,050,000 and US$ 2,000. 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 by banks to the Group for the loan, imported raw material and national tax bookkeeping is totally NT$ 26,506,000.

4. The Group has entered into the following contracts for the purchase of fixed assets:

Unit: NT$ 1,000

	Total contract price	Paid amount	Unpaid amount
Prepayments for equipment	NT$ 170,727	NT$ 138,099	NT$ 32,628

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.

6. The premium contracts signed by the subsidiary U-Tech to produce CD-Audio, VIDEO CD DISC and DVD DISCS are listed as below:

Object	Item	Contract period	Premium calculation method
Company A	DVD DISCS technology licensing	2001.01.01-2020.12.31	Sale quantity of products sold in the specifications set forth in the contract
Company A	CD and DVD DISCS technology cooperation	Since 2007.08.01	Sale quantity of products sold in the specifications set forth in the contract
Company B	DVD DISCS technology licensing	2001.06.01-2022.12.31	Sale quantity of products sold in the specifications set forth in the contract
Company C	DVD DISCS technology licensing	2004.07.01-2029.10.01	Sale quantity of products sold in the specifications set forth in the contract
Company D	BD VIDEO DISCS technology licensing	2012.12.01-2022.11.30	Sale quantity of products sold in the specifications set forth in the contract
Company E	BD VIDEO DISCS technology licensing	2011.01.01-2022.12.31	Sale quantity of products sold in the specifications set forth in the contract
Company F	BD VIDEO DISCS technology licensing	2014.03.12-2020.12.31	Sale quantity of products sold in the specifications set forth in the contract

7. The premium contracts signed by subsidiary Ritdisplay to produce the organic light emitting diode (OLED) product are listed as below:

Object	Item	Expiring date	Premium calculation method
Company A	Organic light emitting diode	2023.12	Certain proportion of

	(OLED)		product sales volume
Company B	Organic light emitting diode (OLED)	2021.03	Rated premium

X. Major disaster losses

No.

XI. Major subsequent matters

1. Subsidiary U-Tech acquired the stock equity of 562,000 shares of Houju Energy Development Co., Ltd. on January 30, 2019 from the individual shareholder of non-interested party, and the shareholding ratio of the Group increased to 100%, in the acquisition price of NT$ 6,754,000, which has been full paid as of the financial report issuing day.

2. Subsidiary Ritdisplay handled the cash capital increase on November 28, 2018 through the decision of the board of directors, to issue 7,520,000 shares, publicly as the listed stocks, with the value of NT$10 per share, and in the way of premium method; the weighted average price of competitive auction was NT$ 72.33 per share and the public subscription price was NT$ 60 per share, with the paid-in capital after the capital increase of NT$ 676,301,000. The above cash capital increase case is effective by declaring in the securities and futures bureau of financial supervision and administration commission on December 10, 2018, and the base date of its capital increase and share subscription is set as January 15, 2019.

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)	$119,687
Force to measure at fair value through profit or	$275,046	(Note)

	December 31, 2018	December 31, 2017
loss		
Subtotal	275,046	119,687
Financial assets measured at fair value through other comprehensive profit or loss	341,895	(Note)
Financial assets available for sale		
Measured at fair value	(Note)	467,948
Financial assets measured by cost	(Note)	322,181
Subtotal	(Note)	790,129
Financial assets measured at amortized cost:		
Cash and cash equivalent (excluding the cash on hand)	3,494,133	(Note)
Financial assets measured at amortized cost	124,730	(Note)
Bill receivable	9,031	(Note)
Account receivable (including interested party)	1,577,204	(Note)
Rental receivable	50,265	
Other account receivable (including the interested party)	46,476	(Note)
Subtotal	5,301,839	(Note)
Loans and receivables:		
Cash and cash equivalent (excluding the cash on hand)	(Note)	3,880,607
Investment to debt instrument without active market	(Note)	106,691
Bill receivable	(Note)	18,536
Account receivable (including the interested party)	(Note)	1,537,671
Other account receivable (including the interested party)	(Note)	14,133
Subtotal	(Note)	5,557,638
Total	$5,918,780	$6,467,454

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)	$2,370,861	$1,750,320
Notes payable and accounts payable (including the interested party)	1,129,884	1,427,524
Other payables	795,930	848,182
Long-term loan (including due within one year)	5,833,972	4,503,485
Subtotal	10,130,647	8,529,511
Financial liabilities measured at fair value through profit or loss:		
Held for trading	-	5,192
Total	$10,130,647	$8,534,703

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

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

3. Market risk

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

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

Exchange rate risk

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

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

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

(1) When NT$ vs. USD appreciates/depreciates by 1%, the profit or loss of the Group in 2018 and 2017 will decrease/increase by NT$ 17,231,000 and NT$ 14,866,000 respectively.

(2) When NT$ vs. JPY appreciates/depreciates by 1%, the profit or loss of the Group in 2018 and 2017 will increase/decrease by NT$ 492,000 and NT$ 1,156,000 respectively.

(3) When NT$ vs. EUR appreciates/depreciates by 1%, the profit or loss of the Group in 2018 and 2017 will decrease/increase by NT$ 1,444,000 and NT$ 1,830,000 respectively.

Interest rate risk

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

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

The sensitivity analysis related to interest rate risk focuses on the critical risk item at the ending day of financial reporting period, including the floating interest rate investment, floating interest rate loan and interest rate swap contract, and assumes to hold for one fiscal year; when the interest rates increase/decrease ten basis points, the profit or loss of the Group in 2018 and 2017 will reduce/increase NT$ 8,080,000 and NT$ 6,147,000.

Equity price risk

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

For the listed equity security forced to measure at fair value through profit or loss, when the price of such equity securities increase/decrease by 1%, the profit or loss of the Group will increase/decrease by NT$ 2,750,000 and NT$ 1,145,000 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 Group in 2017 shall be affected by NT$ 4,463,000; 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 Group in 2018 is NT$ 1,034,000.

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

4. Credit risk management

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

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

Up to December 31, 2018 and December 31, 2017, the top ten customer accounts receivable occupy 39% and 37% of the Group's accounts receivable balance respectively, and the credit concentrated risk of the rest accounts receivable is relatively insignificant.

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

5. Liquidity risk management

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

Non-derivative financial instruments

	Less than one year	Two to three years	Four to five years	More than five years	Total
December 31, 2018					
Loan	$3,581,082	$2,684,396	$1,267,259	$640,969	$8,173,706
Short-term notes payable	251,300	-	-	-	251,300
Account	1,925,814	-	-	-	1,925,814

payable

	Less than one year	Two to three years	Four to five years	More than five years	Total
December 31, 2017					
Loan	$2,777,493	$2,948,372	$483,037	$-	$6,208,902
Short-term notes payable	250,000	-	-	-	250,000
Account payable	2,275,706	-	-	-	2,275,706

Derivative financial instruments

	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	$(5,192)	$-	$-	$-	$(5,192)

The disclosure of derivative financial instruments 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	$1,500,535	$249,785	$4,503,485	$48,852	$6,302,657
Acquiring	5,000	26,741	751,704	-	783,445

through business merger					
Cash flow	614,347	(25,547)	578,783	6,632	1,174,215
December 31, 2018	$2,119,882	$250,979	$5,833,972	$55,484	$8,260,317

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

A. Book amount of cash and cash equivalent, accounts receivable, accounts payable and other current liabilities is the reasonable approximate value of fair value, which is mainly because this kind of instruments have short maturity period.

B. The fair value of financial assets and financial liabilities traded in active markets with standard terms and conditions shall be determined by reference to the market quotation.

C. The equity instrument without active market shall be measured by the amount after deducting the impairment loss from the cost, because there is no public quotation in active market and the fair value cannot be measured reliably.

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 by the Group is close to the fair value.

(3) Fair value information of Financial Instruments

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

8. Derivative financial instruments

As of December 31, 2018 and December 31, 2017, the Group has the following information about derivative financial 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.

December 31, 2017:

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

9. Fair value level

(1) Fair value level definition

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

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

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

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

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

(2) Fair value measurement level information

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

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	$205,058	$-	$-	$205,058
Fund	69,988	-	-	69,988
Measured at fair value through other comprehensive profit or loss				
Equity instrument measured at fair value through other comprehensive profit or loss	101,845	-	240,050	341,895

December 31, 2017:

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Financial assets measured at fair value through profit or loss				
Stock	$48,260	$-	$-	$48,260
Fund	71,427	-	-	71,427
Financial assets available for sale				
Stock	446,333	-	21,615	467,948

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

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

	Measured at fair value through other comprehensive profit or loss
	Stock
January 1, 2018 (according to IAS 39)	$21,615
Influence number of retroactive application and retroactive recompilation	316,416
January 1, 2018 (according to IFRS 9)	338,031
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”)	(75,174)
2018 acquisition/issuance	-
2018 disposal/liquidation	(560)
Returned stock for capital reduction	(10,759)
Investment transferred out to equity method	(11,488)
December 31, 2018	$240,050
January 1, 2017	$68,136
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”)	(46,521)
2017 acquisition/issuance	-
2017 disposal/liquidation	-

	Measured at fair value through other comprehensive profit or loss
	Stock
Transfer-in (transfer-out) to Level 3	-
December 31, 2017	$21,615

In the above total profit (loss) recognized in the profit or loss, the loss related to the held asset as of 2018 and 2017 is respectively NT$ 75,175,000 and NT$ 46,521,000.

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

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

December 31, 2018:

	Assessment technique	Major unobservable input value	Quantized information	Relationship between input value and fair value	Sensitivity analysis value relationship between input value and fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive profit and loss					
Stock	Market method	Lack of liquidity discount	30%	The higher the degree of illiquidity is, the lower the fair	When the percentage of lack of fluidity increases (decreases) 1%, the equity to the

				value estimates	Group shall decrease / increase NT$ 2,401,000

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 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 Group shall decrease / increase NT$ 216,000

Evaluation process of Level 3 fair value measurement

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

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

December 31, 2018:

	Level 1	Level 2	Level 3	Total
Asset only disclosing the fair value:				

Investment property (refer to Note VI.13)	$-	$-	$1,030,926	$1,030,926

December 31, 2017

	Level 1	Level 2	Level 3	Total
Asset only disclosing the fair value:				
Investment property (refer to Note VI.13)	$-	$-	$1,005,873	$1,005,873

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

	2018.12.31			2017.12.31		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial asset						
Monetary item:						
USD	$125,353	30.6600	$3,843,323	$100,013	29.715	$2,971,886
JPY	470,438	0.27630	129,982	1,029,870	0.2623	270,135
EUR	4,133	34.9500	144,448	5,246	35.34	185,394
Non-monetary item:						
USD	1,262	30.6600	38,693	154	29.715	4,576
Financial liability						
Monetary item:						
USD	70,187	30.7600	2,158,952	50,191	29.815	1,496,445
JPY	288,285	0.28030	80,806	580,396	0.2633	154,559
EUR	-	35.3500	-	68	35.74	2,430

Due to the variety of the Group's functional currencies, it is not possible to disclose the exchange profits and losses of monetary financial assets and financial liabilities according to the foreign currency of each significant impact. The foreign currency exchange profit (loss) of the Group in 2018 and 2017 were

NT$ 80,802,000 and NT$ (174,890,000) respectively.

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

11. Capital management

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

XII. Note disclosures

1. Relevant information of major transactions

(1) Fund loan and others: refer to Schedule 1.

(2) Endorsement for others: refer to Schedule 2.

(3) Held the negotiable security at the end of the period: refer to Schedule 3.

(4) Accumulated buying or selling of same negotiable security reaching NT$ 300 million or more than 20% of paid-in capital: refer to Schedule 4.

(5) Acquired property amount reaching NT$ 300 million or more than 20% of paid-in capital: 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.

(10) Others: business relation and important transaction condition and amount between the parent company and subsidiary as well as between the subsidiaries: refer to Schedule 9.

2. Invested company name, location… related information (excluding the Mainland China invested company): Schedule 7.

3. Mainland China investment information: refer to Schedule 8.

XIV. Department information

For the purpose of management, the Group mainly divides the operating units based on the geographical differentiation and business division. After the quantitative threshold test, the Group has the following two reporting operating departments:

Storage media department: engaging in the manufacturing, processing and sales of CD and memory cards.
Organic light emitting diode department: engaging in the manufacturing, processing and trading of OLED.
Other departments: engaging in the import and export trading business and other businesses transferred to investment.

The management level is the operating result of individual supervised business unit, for the decision making of resource allocation and performance evaluation. Department performance is evaluated according to the pre-tax profit and loss, and the accounting policies of reporting department are the same with the important accounting policy summary of the Group. However, the income tax of consolidated financial statements is managed on the basis of the Group, and is not amortized to the operating department.

Transfer pricing between the operating departments is based on the routine transactions similar to those with external third party.

1. Information of reporting department profit and loss, asset and liability

2018

	Storage media department	OLED department	Reporting department subtotal	Other department	Adjustment and elimination	The Group total
Revenue						
Revenue from external customer	$5,853,173	$2,519,944	$8,373,117	$985,544	$-	$9,358,661
Revenue between departments	4,624,124	-	4,624,124	202,413	(4,826,537)	-
Total revenues	$10,477,297	$2,519,944	$12,997,241	$1,187,957	$(4,826,537)	$9,358,661
Interest expense	$116,491	$26,828	$143,319	$16,445	$(6,633)	$153,131
Depreciation, amortization and other losses	986,998	61,075	1,048,073	533,800	34,332	1,616,205
Other non-significant cash items:						
Asset impairment (profit recovered)	9,423	-	9,423	-	-	9,423
Department loss (profit)	$1,106,628	$(346,423)	$760,205	$339,576	$134,721	$1,234,502
Asset						
Investment by equity method	$42,456	$-	$42,456	$97,332	$-	$139,788
Non-current asset capital expense	403,564	348,859	752,423	438,831	(31,320)	1,159,934
Department asset	$16,153,050	$3,599,163	$19,752,213	$6,219,246	$(2,276,684)	$23,694,775
Department liability	$9,999,012	$2,179,548	$12,178,560	$1,340,397	$(3,031,646)	$10,487,311

2017

	Storage media department	OLED department	Reporting department subtotal	Other departments	Adjustment and elimination	The Group total
Revenue						
Revenue from external customer	$6,299,562	$2,262,373	$8,561,935	$1,235,174	$-	$9,797,109
Revenue between departments	3,866,057	-	3,866,057	289,033	(4,155,090)	-
Total revenues	$10,165,619	$2,262,373	$12,427,992	$1,524,207	$(4,155,090)	$9,797,109
Interest expense	$113,093	$28,391	$141,484	$14,430	$(12,830)	$(143,084)
Depreciation, amortization and other losses	1,212,699	56,838	1,269,537	620,852	31,828	1,922,217
Other non-significant cash items:						
Asset impairment (profit recovered)	428,130	3,448	431,578	(27,053)	-	404,525
Department loss (profit)	$2,047,772	$(379,156)	$1,668,616	$653,778	$(24,249)	$2,298,145
Asset						
Investment by equity method	$10,517	$-	$10,517	$106,645	$-	$117,162
Non-current asset capital expense	275,587	653,701	929,288	198,059	(71,099)	1,056,248
Department asset	$15,120,640	$3,599,975	$18,720,615	$6,412,024	$(1,645,077)	$23,487,562
Department liability	$7,786,647	$2,483,175	$10,269,822	$1,017,865	$(2,371,079)	$8,916,608

2. Adjustments of reporting department revenue, profit and loss, asset, liability and other significant items

(1) Revenue

	2018	2017
Total reporting department revenues	$12,997,241	$12,427,992
Other department revenue	1,187,957	1,524,207
Eliminated department revenue	(4,826,537)	(4,155,090)
The Group revenue	$9,358,661	$9,797,109

(2) Profit and loss

	2018	2017
Total reporting department losses	$567,837	$1,316,096
Other department loss	350,580	648,594
Reduced department profit	134,721	(24,249)
Net loss before tax of continuous operating unit	$1,053,138	$1,940,441

(3) Asset

	2018.12.31	2017.12.31
Total reporting department assets	$19,752,213	$18,720,615
Other department asset	6,219,246	6,412,024
Eliminated department account receivable	(2,276,684)	(1,645,077)
Other unamortized amount	-	-
The Group department asset	$23,694,775	$23,487,562

(4) Liability

	2018.12.31	2017.12.31
Total reporting department liabilities	$12,178,560	$10,269,822
Other department liability	1,340,397	1,017,865
Eliminated department account payable	(3,031,646)	(2,371,079)
The Group department liability	$10,487,311	$8,916,608

(5) Other significant items

2018

	Reporting department total	Other department	Adjustment	The Group total
Interest revenue	$24,269	$7,041	$(9,865)	$21,445
Interest expense	143,319	16,445	(6,633)	153,131
Capital expense of non-current asset	752,423	438,831	(31,320)	1,159,934
Depreciation, amortization and other losses	1,048,073	533,800	34,332	1,616,205
Asset impairment (profit recovered)	9,423	-	-	9,423

2017

	Reporting department total	Other department	Adjustment	The Group total
Interest revenue	$20,586	$3,332	$(12,807)	$11,111
Interest expense	141,484	14,430	(12,830)	143,084
Capital expense of non-current asset	929,288	198,059	(71,099)	1,056,248
Depreciation, amortization and other losses	1,269,537	620,852	31,828	1,922,217
Asset impairment (profit recovered)	431,578	(27,053)	-	404,525

The adjustment item of capital expense of non-current asset is generated by the building of the general administration office of the Group, and is not included in the information of the department. Other adjustments are not significant.

3. Region classification information

Revenue from external customer:

	2018	2017
Taiwan	$2,351,692	$2,752,905
Asia	4,515,300	4,524,912
America	1,247,657	1,211,541
Europe	1,085,426	1,250,149
Africa	136,387	42,213
Oceania	20,856	14,187
Other regions	1,343	1,202
Total	$9,358,661	$9,797,109

The revenue is classified based on the customer located region.

Non-current asset:

	2018.12.31	2017.12.31
Taiwan	$10,440,189	$9,534,047
Asia	4,105,881	4,835,980
Europe	48,733	57,524
America	613,164	637,010
Total	$15,207,967	$15,064,561

4. Important customer information

There is no sales amount of single customer of the Group in 2018 and 2017 reaching 10% of net amount of operating revenue, thus there is nothing to disclose.

6. The impact of financial difficulties in the past year and as of the publication date of the annual report on the financial conditions of the Company

VII. Financial highlights, analysis, and risks:

1. Financial analysis:

(1) Financial condition analysis

Unit: NT$ thousand

Item \ Year	2017	2018	Deviation	
			Amount	%
Current assets	8,423,001	8,486,808	63,807	0.8%
Non-current assets	15,064,561	15,207,967	143,406	1.0%
Total assets	23,487,562	23,694,775	207,213	0.9%
Current liabilities	5,346,360	5,776,153	429,793	8.0%
Non-current liabilities	3,570,248	4,711,158	1,140,910	32.0%
Total liabilities	8,916,608	10,487,311	1,570,703	17.6%
Capital	17,667,921	12,841,579	(4,826,342)	(27.3)%
Capital surplus	937,005	950,835	13,830	1.5%
Retained earnings	(4,826,342)	(3,583,955)	1,242,387	(25.7)%
Other equity	(932,826)	(1,038,709)	(105,883)	11.4%
Treasury stock	(2,428,914)	0	2,428,914	(100)%
Non-controlled equity	4,154,110	4,037,714	(116,396)	(2.8)%
Total equity	14,570,954	13,207,464	(1,363,490)	(9.4)%
Percentage change explanation: the difference is less than 20% and the amount is below 10million, so the analysis is unavailable.				

(2) Explanation for the deviation of financial conditions:

1. The of non-current liabilities is mainly due to the increase of mid to long-term loan of subsidiaries
2. The capital decrease is mainly due to the capital reduction for covering loss
3. The of retained earnings is mainly due to the capital reduction for covering loss
4. The decrease of treasury stock is mainly because that the subsidiaries sold the stocks of parent company

2. Operating results analysis

(2) Operational results analysis

Unit: NT$ thousand

Item \ Year	2017	2018	Increase (Decrease)	
			Amount	%
Sales revenue	9,797,109	9,358,661	(438,448)	(4.5)%
Cost of goods sold	9,484,981	8,811,059	(673,922)	(7.1)%
Gross margin (loss)	312,128	547,602	235,474	75.4%
Operating expenses	1,688,636	1,579,361	(109,275)	(6.5)%
Operating loss	(1,376,508)	(1,031,759)	344,749	(25.0)%
Non-operating income and expenses	(563,933)	(21,379)	542,554	(96.2)%
Net loss before income tax	(1,940,441)	(1,053,138)	887,303	(45.7)%
Income tax	(357,704)	(181,364)	176,340	(49.3)%
Net loss	(2,298,145)	(1,234,502)	1,063,643	(46.3)%

(2) Analysis for deviation on operational results:

The non-operating income and expenses was mainly for the impairment loss of assets of subsidiaries in 2017 and the gain on exchange rate due to appreciation of US dollar.

3. Cash flow analysis

Cash flow analysis

Unit: NT$ thousand

Cash Balance 12/31/2017	Net Cash Provided by Operating Activities in 2018	Net Cash Provided by Non-Operating Activities in 2018	Cash Balance (Deficit)	Remedy for Liquidity Shortfall	
				Investment Plan	Financial Plan
3,885,055	(295,219)	(92,098)	3,497,738	-	-

(1) Analysis of deviation in 2018 and 2017：

Item \ Year	2017	2018	Increase (Decrease)%
Cash flow ratio (%)	13.29	0.00	(100)%
Cash flow adequacy ratio (%)	118.19	83.04	(30)%
Cash flow reinvestment ratio (%)	1.54	0.00	(100)%
Due to anticipated material price rising, we prepare material resulting in cash outflow from operating activities and decrease of cash flow adequacy ratio。			

(2) Remedy for cash deficit and liquidity analysis: under comprehensive effects on various cash flows, the cash should be adequate in the coming year.

(3) Cash liquidity analysis for next year:

Unit: NT$ thousand

Cash Balance 12/31/2018	Net Cash Provided by Operating Activities in 2018	Net Cash Provided by Non-Operating Activities in 2019	Cash Balance (Deficit)	Remedy for Liquidity Shortfall	
				Investment Plan	Financial Plan
3,497,738	899,869	(608,630)	3,788,977	—	—

Analysis for 2019 cash flow deviation:

1. Operating activities: the product selling price and strategies will be adjusted due to advantages on material prices in 2019. Meanwhile, with plan to introduce high-end products, the overall revenue and profitability is expected to be improved.
2. Investment activities: it is mainly the estimated capital expenditure on acquisition of equipment and disposal of fixed assets

4. The impact of major capital expenditure on finance and business: Nil

5. The reinvestment policies, the main reason for profitability or loss, improvement plan and analysis of investment plan in next year:
   The Company did not have investment with amount over 5% of paid-in capital. The future investment plan will depend on the market conditions and necessity of expansion on group operation.
6. Risk evaluation:
   (1) The effects and future corresponding measures against volatility of interest rate, exchange rate and inflation:
      1. Interest rate fluctuation: the interest rate was decreased greatly in last year. The Company's demand for long term fund is mainly supported by long-term loans and corporate bond with zero coupon rate. The interest rates collected by banks are gradually decreased and the Company also evaluates the bank interest rates periodically to get favorable financing interest rate.
      2. Exchange rate volatility: regarding the risks of exchange rate volatility, the Company would do hedge for assets and liabilities in foreign currencies based on certain procedures.
      3. Inflation: although the material prices continuously fluctuated in last year, the Company devoted in the cost control, yield improvement and development of products with high unit price to reduce the impact of rising material prices to the Company.
   (2) The policies of engraining in high risk, high leverage, fund lending to others, endorsement/guarantee and derivative instruments transactions, the main reason for profitability or loss and future counterplots:
      1. The Company did not engage in highly risky and leveraged investment. The derivative instrument transactions were mainly for the hedge.
      2. The Company's endorsement/guarantee and fund lending to others were all managed in accordance with "Procedures for Endorsement/Guarantee" and "Procedures for Fund Lending to Others".
   (3) Future development plan and expected research expenses in the future: RD department
      1. Future development plan:

No.	Name of Research Project
(1)	Cost improvement plan for consumer disc
(2)	Disc cooperation plan appointed by special customers

(3)	High capacity file disc development plan
(4)	Preliminary development plan for double high capacity file disc

2. Expected research expenses: no material research expenses to be generated by now.

(4) The impacts to and counterplots of the Company due to change in important domestic and foreign policies and laws:
The management team of the Company constantly watches any policy and law that may affect the finance and businesses of the Company. In 2017, no material impact of relevant laws to the Company's finance and businesses.

(5) The impacts to and counterplots of the Company due to change in technology and industry:
The new specifications of storage media were released consecutively in recent years, while the next generation products with new specifications also appear on the market. Aiming at next generation blue-ray disc, the Company is capable of mass production. After the next generation storage media become the main stream, other product suppliers of previous generation are hard to follow because of its high technology barrier. Relevant new technology development will further reinforce the competitiveness of the Company and facilitate solid financial conditions and business development of the Company.

(6) The impact to business crisis management due to change in business image and counterplots:
In addition to devoting in the principal businesses, the Company persists in feedback to the society and spares no effort to the sponsor of social welfare activities.

(7) The expected benefits of acquisition, potential risks and counterplots: no acquisition has been engaged from 2017 to the date of this annual report.

(8) The expected benefits, potential risks and counterplots of plant expansion: Nil

(9) The risks and counterplots of centralized purchase or sales:
The sources of purchase and sales counterparties are as shown in this annual report. Due to industrial features and physical operation conditions, the Company has tried the best to separate the sources of purchase and sales counterparties as well as manage customer related affairs to maintain stable operation in the future.

(10) The impact, risks and counterplots of mass shares transfer or change by major shareholder holding shares over 10%: Nil

(11) The impact, risks and counterplots of change in ownership: Nil

(12) For litigious or non-litigious matters, the material litigation of the Company and the Company’s Directors, Supervisors, President, substantive person in charge, major shareholder holding shares over 10 percent and subsidiaries finalized or in pending which probably have material impact to shareholders’ equity or security price shall be specified. The disclosure of facts in dispute, subject amount, beginning date of litigation, major parties involved and the handling as of the date of this annual report: Nil

(13) Other important risks and counterplots:

1. Risks management policies

The risk management policies of the Company are to be prepared for the loss evaluation and analysis of potential strategic risks, financial risks, operational risks, human risks, legal and responsibility risks, disaster risks in advance as to select risk management tools.

When the loss expectation after risk evaluation is lower than the tolerable level, the Company shall adopt risk self-retention or loss control measures. This is risks with high frequency of mild loss. Meanwhile, aiming at low frequency and significant loss, the Company adopts risk transfer or evasion measures after evaluating its risk value. The various risk management of the Company are as follows:

(1) Market risk management

Market risks refer to the change in market interest rate or exchange rate resulting in possible loss of the Company due to engagement in relevant transactions.

The Company engages in exchange and interest rate swaps, which are available for the selection of physical principal exchange or not based on the exchange rate as agreed on maturity date. It is not affected by the volatility of exchange rate and therefore the market risk is extremely small.

(2) Liquidity risk management

Liquidity risks refer to the cash flow risks and risks generated by the unsettlement due to uncertain amount and period of cash demand in the future.

The future capital costs have been considered in the interest rate swap contract of the Company, therefore it is free from fund raising risks.

Since the exchange rate and interest rate under swap contract are confirmed, it should be free of material cash flow risk.

(3) Credit risk management

Credit risks refer to the loss generated by default of trading counterparty.

The derivative instrument transactions are limited to the banks with good credit without anticipation of breach of contract. Meanwhile, we would reduce relevant risks by signing net amount settlement without trading counterparty. Therefore, the credit risk is extremely law.

(4) Environment, safety and health risks management

The Company always insists in ISO 14001 environmental management system to meet advanced international environment standards, commit to provide and maintain the working environment as satisfactory to laws and industrial practices and make continuous improvement as to prevent any anticipated risk resulting in environmental pollution.

2. Risk management organization:

The implementation of various risk management policies are carried out altogether by the risk management department and all responsible units. The audit unit will review any existed or potential risks aiming at different operations to establish annual audit plan against the risks.

	Important Risk Item	Risk Management Responsible Unit	Risk Review Mechanism	Decision and Supervision
1	Responsible for the implementation of various risk management systems and risk improvement control	Audit Office	CEO Office	BOD: The highest decision making unit for handling of various risks Audit Office: Responsible for risk monitoring
2	Responsible for financial distribution, establish hedging mechanism, operational decision planning, watching amendment of laws, exchange rate volatility anytime to reduce financial, tax and strategic risks and achieve reliability of financial reports, operational effects and legal compliance.	Finance Center		
3	Responsible for the concluding the contract	Legal Affairs Department		

	and other legal activities, laws compliance and its final goal is to avoid and reduce legal risks and use the legal rights to create profits.			and tracking
4	Responsible for the establishment of safe and reliable information system to ensure data correctness, stable system, safe equipment and network, protect company and personal rights and reduce the information security risks	Information Center		
5	Responsible for the safety, health and environmental protection, constant promotion of risk management, reducing environmental impact and safety and health risks to lower the impact to environment and safety and health risks. It is weighted equally with production to reduce the impact to personnel and surrounding environment.	Environmental Safety Department HR Center		

Risk management department is subordinated to Finance Center. It is responsible for the planning and establishment of various risks management system as well as supervising and monitoring the implementation. In addition, where there is operational related risks occurred during the operation of all departments, risk management department is also responsible for seeking risks resolutions as most appropriate for the implementation of all departments. It is expected to effectively protect the Company's assets, reduce uncertain loss occurrence and establish the basis of sustainable operation via systematic function.

7. Other important matters: Nil

VIII. Special Notes

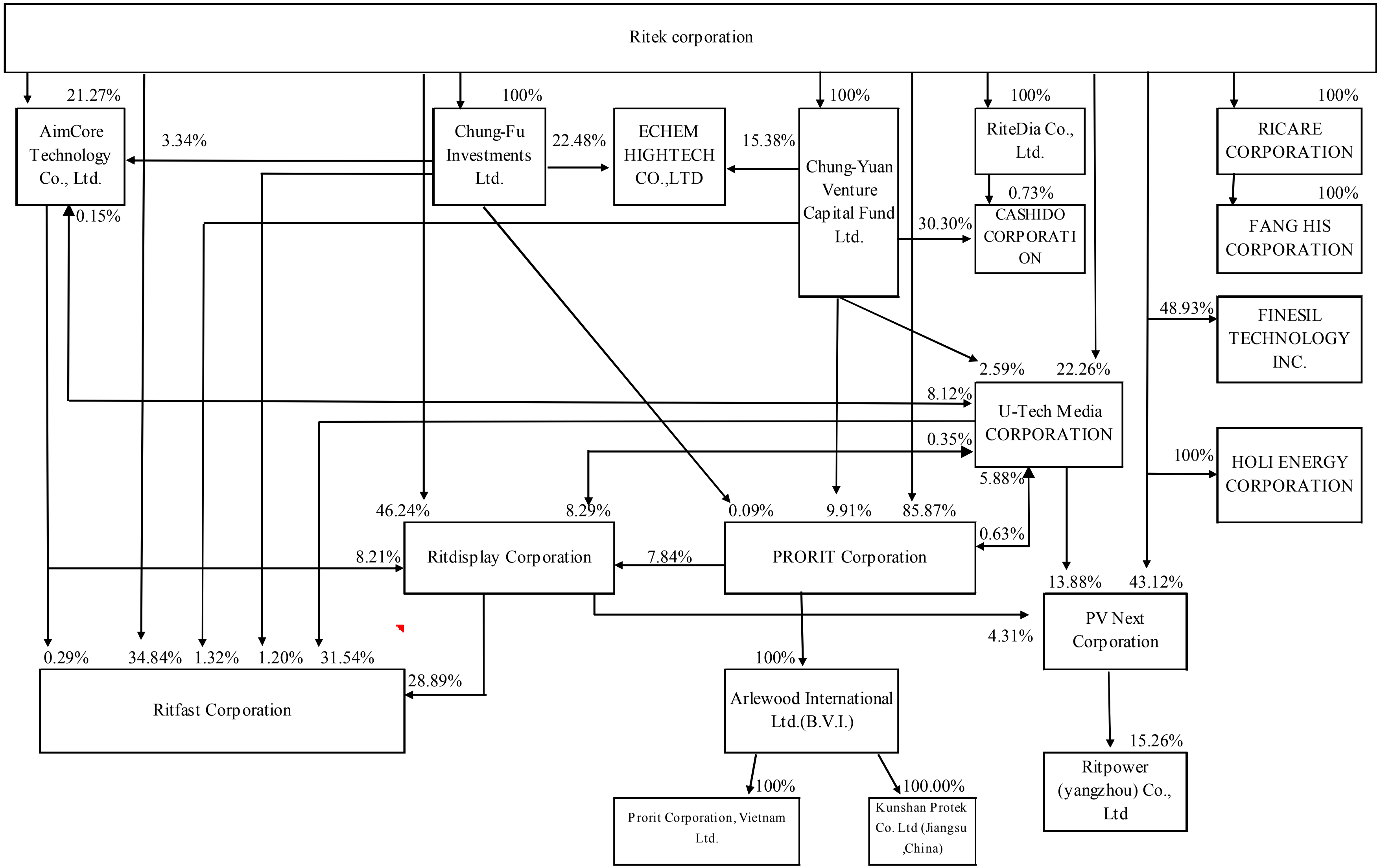
1. Report of Affiliation

(1). Merger business report for relevant companies

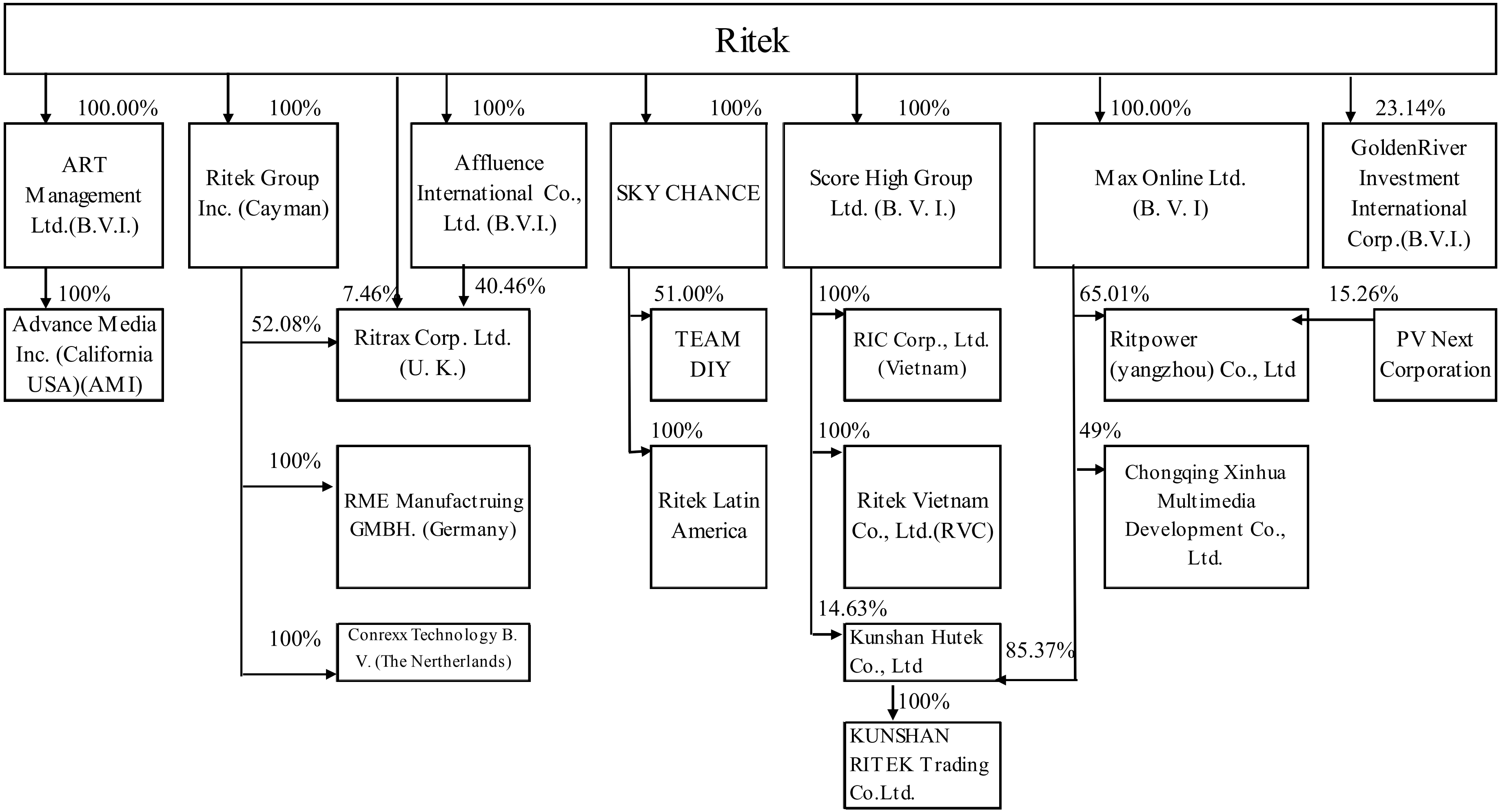
(i.) General profile of relevant companies

a. Organization chart of relevant companies

2018.12.31



b. Organization chart of the relevant companies



(ii.) The basic information of Affiliates

2018.12.31 Unit: thousand dollars

Company Name	Established Date	Address	Paid-in Capital	Business Operation
Advanced Media Inc.	2001.12.14	1440 Bridgegate Dr., STE370 Diamond Bar, CA91765 U.S.A.	USD 6,100	Overseas sales company
Affluence International Co., Ltd. (B.V.I)	2000.01.04	Tropic Isle Building, P.O. Box 438 Road Town,Tortola, British Virgin Islands	USD34,648	Offshore holding company
Arlewood International Ltd	2002.03.08	P.O. Box 957, Offshore Incorporations, Road Town, Tortola, British Virgin Islands	USD57,472	Offshore holding company
ART Management Ltd. (B.V.I)	1997.03.27	P.O. Box 957, Offshore Incorporations, Road Town, Tortola, British Virgin Islands	USD26,650	Offshore holding company
Conrexx Technology B.V.(The Netherlands)	2001.10.22	Keurmeesterstraat 18, 2984 BA Ridderkerk , The Netherlands	EUR16,254	Overseas sales company
KunShan Hutek Co.,Ltd	2001.02.28	No.88 Second Avenue, Kunshan Export Processing Zone, Jiangsu Province, China 215300	CNY672,396	CD manufacturing
Kunshan Protek Co. Ltd (Jiangsu China)	2002.07.15	N0. 88 , Second Avenue, Kunshan Export Processing Zone, Jiangsu Province, China 215301	CNY359,172	CD packing box manufacturing
Kunshan Ritek Trading Company Ltd.	2005.09.12	No. 188, Hulai Road, Kunshan Development Zone, Kunshan City	CNY1,000	Trading company
Max Online Ltd. (B.V.I)	2001.01.04	Jipfa Building, 3rd Floor, Road Town, Tortola, British Virgin Islands.	USD158,942	Offshore holding company
Prorit Corporation, Vietnam Ltd.	2008.02.27	No.6. VSIP II-A street 27, Vietnam-Singapore Industrial Park II.A.Tan Uyen District. Binh Dunong Province, Vietnam	VND204,161,639	Electronics industry
RIC Corporation Ltd.	2008.02.27	No.2. VSIP II-A street 27,Vietnam-Singapore Industrial Park II.A.Tan Uyen District. Binh Dunong Province, Vietnam	VND18,622,032	CD manufacturing
Ritek Group Inc.(Cayman)	1999.04.30	Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	EUR60,404	Offshore holding company
Ritek Vietnam Co., Ltd.	2005.03.02	Plot 213, AMATA ROAD, AMATA INDUSTRIAL PARK, LONG BINH WARD, BIEN HOA CITY, DONG NAI PROVINCE, VIETNAM	VND2,252,815,901	CD manufacturing
RITRAX Corporation Ltd.	1999.06.21	7/10 Chandos Street, Cavendish Square London, UK	GBP 2,400	Trademark agent limited company
RME Manufacturing GmbH. (Germany)	2003.06.23	Glanstrass 33, D-66887 Rammelsbach Kusel, Germany	EUR 1,000	CD printing and packaging
Score High Group	2002.04.08	Po Box 957,Offshore Incorporations Centre,Road Town Tartola,	USD171,737	Offshore holding company

Company Name	Established Date	Address	Paid-in Capital	Business Operation
Ltd.(B.V.I)		British Virgin Islands		
Sky chance international limited	2014.08.05	P.O.Box 17,Apia Samoa	USD2,100	Offshore holding company
Team Diy Hardware Sdn. BHD.	2014.	26-2 Lorong 6E/91 Taman Shamelin Perkasa 56100 Kuala Lumpur	MYR8,000	Hardware material business
Ritek Latin American Inc.(Panama)	2018.06.05	Calle Miguel Brostella Street, Los Tucanes Plaza, 2F, Office 4-B.EI Dorado, Panama City , Panama	USD250	Trading company
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	2006.09.08	No. 9, Yangzi Jiangnan Road, Yangzhou City	CNY440,641	Solar module manufacturing
Chung Yuan Venture Capital & Investment International Inc.	1998.03.23	No. 42, Guangfu N. Rd., Hukou Township, Hsinchu County 303, Taiwan (R.O.C.)	403,912	Venture investment business
Chung Fu Investment Ltd.	1997.04.30	No. 42, Guangfu N. Rd., Hukou Township, Hsinchu County 303, Taiwan (R.O.C.)	1,058,509	General investment business
TaiyangHai Technology Co., Ltd.	2009.02.13	7F., No. 12, Guangfu N. Rd., Hukou Township, Hsinchu County	836,000	Battery manufacturing
AimCore Technology Co., Ltd.	2007.10.10	No. 10, Guangfu N. Rd., Hukou Township, Hsinchu County	684,670	Manufacturing and sales of conductive glass
PRORIT CORPORATION	2001.08.03	No. 14, Zhongxing Road, Zhongxing Industrial Zone, Zhongping Village, Tonglu Township, Miaoli County	3,133,000	Precision molding & packaging logistics
U-tech Technology Co., Ltd.	1994.05.19	No. 222, Huaya Second Road, Guishan Township, Taoyuan County	1,459,845	Manufacturing, release, and sales of CDs, video tapes, and films
RITFAST CORPORATION	2010.06.02	3F, No. 12, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	160,000	Industry of renewable energy self-used power generating equipment
Ritdisplay Corporation	2000.03.13	No. 12, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	601,101	Manufacturing, machining, and trading business of OLED
RITEDI CORPORATION.	2011.02.18	No. 17, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	10,000	Manufacturing of lighting equipment
Lai Factory Co., Ltd.	2016.12.02	No. 42, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	81,000	Management consulting business
Ricare Co., Ltd.	2017.06.26	No. 42, Guangfu North Road, Hsinchu Industrial Zone, Hukou	10,000	Management consulting

Company Name	Established Date	Address	Paid-in Capital	Business Operation
		Township, Hsinchu County		business
Heli Energy Co., Ltd.	2017.04.27	No. 17, Guangfu North Road, Hsinchu Industrial Zone, Hukou Township, Hsinchu County	1,000	Solar modular

(iii.) Presumed to be controlled and dependent in accordance with Article 369-3 of the Company Law: no such situation

(iv.) The industries covered by the overall relevant enterprises

a. The business of the Company and the related enterprises of the Company includes the production, sale, packaging of storage media, photoelectric industry, solar module manufacturing, and investment management.

b. The communication and division of labor between the related enterprises: The communication and division of labor between the company and the related enterprises or among the related enterprises are mutually supportive of the production capacity, vertical division in the industry, and the establishment of the group’s complete production and marketing system.

2018.12.31

(v.) Directors, supervisors, president, vice president, heads of company:

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
Chung Fu Investment Ltd.	Chairman	Legal representative of Ritec Corporation: Yeh, Chwei-Jing	105,851,000	100%
	Director	Legal representative of Ritec Corporation: Pan, Yan-Ming	105,851,000	100%
	Director	Legal representative of Ritec Corporation: Li, Min Shan	105,851,000	100%
	Supervisor	Legal representative of Ritec Corporation: Shih, Gu-Fu	105,851,000	100%
Chung Yuan Venture Capital & Investment International Inc.	Chairman	Legal representative of Ritec Corporation: Yeh, Chwei-Jing	40,391,000	100%
	Director	Legal representative of Ritec Corporation: Chang, Yu-Huan	40,391,000	100%
	Director	Legal representative of Ritec Corporation: Yang, Wei-Feng	40,391,000	100%
	Supervisor	Legal representative of Ritec Corporation: Shih, Gu-Fu	40,391,000	100%
Ritdisplay Corporation	Chairman	Yeh, Chwei-Jing	344,000	0.5%
	Director	Legal representative of Ritec Corporation: Wang, Ting-Chang	27,795,000	46.24%
	Director	Legal representative of Ritec Corporation: Li, Min Shan	27,795,000	46.24%
	Director	Legal representative of Ritec Corporation: Pan, Yan-Ming	27,795,000	46.24%
	Director	legal representative of U-tech Technology Co., Ltd.: Yang, Wei-Feng	4,986,000	8.29%
	Director	National Development Fund, Executive Yuan legal representative: Wu, Meng-Chi	136,000	0.2%
	Independent Director	Lin, Zu-Chia	0	0%
	Independent Director	Wu, Chih-Chih	0	0%
	Independent Director	Tung, Pao-Cheng	0	0%
U-tech Technology Co., Ltd.	Director	Legal representative of Ritec Corporation: Yeh, Chwei-Jing	32,489,000	22.26%

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
	Director	Legal representative of Ritec Corporation: Pan, Yan-Ming	32,489,000	22.26%
	Director	Legal representative of Ritec Corporation: Yeh, Chuei-Sheng	32,489,000	22.26%
	Director	Yang, Wei-Feng	0	0%
	Director	Huang, Kuo-Hsing	0	0%
	Independent Director	Li, Ching-Wen	0	0%
	Independent Director	Wu, Jung-Sheng	0	0%
	Supervisor	Lin, Ching-Jung	720,000	0.49%
U-tech Technology Co., Ltd.	Supervisor	Yeh, Chuei-Chiao	534,000	0.36%
	Supervisor	Chien, Ching-Wen	0	0%
PRORIT CORPORATION	Chairman	Legal representative of Ritec Corporation: Lo, Ching-Chung	269,031,000	85.87%
	Director	Legal representative of Ritec Corporation: Yang, Wei-Feng	269,031,000	85.87%
	Director	Legal representative of Ritec Corporation: Pan, Yan-Ming	269,031,000	85.87%
	Supervisor	Shih, Gu-Fu	0	0%
AimCore Technology Co., Ltd.	Chairman	Legal representative of Ritec Corporation: Yeh, Chwei-Jing	14,564,000	21.27%
	Director	Legal representative of Ritec Corporation: Yang, Wei-Feng	14,564,000	21.27%
	Director	Legal representative of Ritec Corporation: Pan, Yan-Ming	14,564,000	21.27%
	Director	Chou, Wan-Shun	0	0%
	Independent Director	Hung, Shun-Ching	0	0%
	Independent Director	Lu, Po-Neng	0	0%
	Independent Director	Chen, Chun-Chao	0	0%
	Manager	Chiang, Ming-Chun		
PV Next CORPORATION	Chairman	Yeh, Chwei-Jing	-----	-----

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
	Director	Legal representative of Ritec Corporation: Wang, Ting-Chang	36,048,000	43.12%
	Director	Legal representative of Ritec Corporation: Chen, Kang	36,048,000	43.12%
	Director	Legal representative of Ritec Corporation: Chiang, Ming-Hsien	36,048,000	43.12%
	Director	KPCB Asia Pacific Holding(1) LTd.	14,782,000	17.68%
	Supervisor	Laibao Technology Co., Ltd.	3,600,000	4.31%
	Supervisor	Pan, Yan-Ming	0	0%
	Manager	Wang, Ting-Chang	0	0%
RITFAST CORPORATION.	Chairman	Yeh, Chwei-Jing	0	0%
	Director	Legal representative of Zhongyuan International Venture Capital Co., Ltd.: Pan, Yan-Ming	212,000	1.32%
	Director	Legal representative of Zhongyuan International Venture Capital Co., Ltd.: Wang, Ting-Chang	212,000	1.32%
	Supervisor	Chiang, Ming-Hsien	120	0%
RITEDI CORPORATION.	Chairman	Legal representative of Ritec Corporation: Yeh, Chwei-Jing	1,000,000	100%
	Director	Legal representative of Ritec Corporation: Wang, Ting-Chang	1,000,000	100%
	Director	Legal representative of Ritec Corporation: Lo, Ching-Chung	1,000,000	100%
	Supervisor	Legal representative of Ritec Corporation: Pan, Yan-Ming	1,000,000	100%
	Manager	Yeh, Chwei-Jing	0	0%
Ricare Co., Ltd.	Chairman	Legal representative of Lai Factory Co., Ltd.: Yang, Wei-Feng	1,000,000	100%
	Director	Legal representative of Lai Factory Co., Ltd.: Yeh, Chwei-Jing	1,000,000	100%
	Director	Legal representative of Lai Factory Co.,	1,000,000	100%

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
		Ltd.: Chang, Yu-Huan		
	Supervisor	Legal representative of Lai Factory Co., Ltd.:Pan, Yan-Ming	1,000,000	100%
Heli Energy Co., Ltd.	Chairman	Legal representative of Ritec Corporation: Lo, Ching-Chung	100,000	100%
Lai Factory Co., Ltd.	Chairman	Legal representative of Ritec Corporation: Yang, Wei-Feng	8,100,000	100%
	Director	Legal representative of Ritec Corporation: Yeh, Chwei-Jing	8,100,000	100%
	Director	Legal representative of Ritec Corporation: Chang, Yu-Huan	8,100,000	100%
	Supervisor	Legal representative of Ritec Corporation: Pan, Yan-Ming	8,100,000	100%
Advanced Media, Inc. (California USA)	Director	ART Management Ltd：Mr. Yeh, Chwei-Jing	-----	100%
	Director	ART Management Ltd：Mr. Dar, Cheng	-----	100%
Affluence International Co., Ltd.(B.V.I)	Director	Ritek Corporation：Mr. Yeh, Chwei-Jing	-----	100%
Arlewood International Ltd.	Director	Prorit Corporation: Mr. Lo, Ching-Chung	-----	100%
ART Management Ltd.(B.V.I.)	Director	Ritek Corporation：Mr. Yeh, Chwei-Jing	-----	100%
	Director	Ritek Corporation：Ms. Yang, Wei-Fen	-----	100%
Conrexx Technology B.V. (The Netherlands)	Director	Ritek Group Inc：Mr. Richard Vong	-----	100%
Kunshan Hutek Co., Ltd (Jiangsu ,China)	Director	MaxOnline Limited : Mr. Pan, Yen Min	-----	85.37%
	Director	MaxOnline Limited : Mr. Chen, Kang	-----	85.37%
	Director	MaxOnline Limited : Mr. Pong Chi-Wei	-----	85.37%
Kunshan Protek Co. Ltd (Jiangsu ,China)	Director	Arlewood International Ltd.: Mr. Pong Chi-Wei	-----	100%
	Director	Arlewood International Ltd.: Mr. Lo, Ching-Chung	-----	100%
	Director	Arlewood International Ltd.: Ms. Chang Yu-Huan	-----	100%

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
Kunshan Ritek Trading Company Ltd.	Director	Kunshan Hutek Co.Ltd: Mr. Pong Chi-Wei	-----	100%
	Supervisor	Kunshan Hutek Co.Ltd: Mr. Pan Yen Min	-----	100%
MaxOnline Limited (B.V.I)	Director	Ritek Corporation	-----	100%
Prorit Corporation, Vietnam Ltd.	Director	Arlewood International Ltd.: Mr. Lo, Ching-Chung	-----	100%
	Director	Arlewood International Ltd.: Mr. Hsu, Tung Ming	-----	100%
	Director	Arlewood International Ltd.: Ms.Lee, Min Shan	-----	100%
Ritek Group Inc. (Cayman)	Director	Ritek Corporation： Mr. Yeh, Chwei-Jing	-----	100%
Ritek Vietnam Company Ltd.	Director	Score High Group Ltd.: Mr. Yeh, Chwei-Jing	-----	100%
	Director	Score High Group Ltd.: Mr. Chang, Chao Tien	-----	100%
	Director	Score High Group Ltd.: Ms. Lee, Min Shan	-----	100%
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	Director	MaxOnline : Ms. Yang, Wei-Fen	-----	65.01%
	Director	MaxOnline : Mr. Pan, Yen-Min	-----	65.01%
	Director	MaxOnline : Mr. Shih, Chu-Fu	-----	65.01%
	Director	MaxOnline : Mr. Yeh, Chwei-Sheng	-----	65.01%
	Director	Sin-Guang-Yuan(Yangzhou) technology development co . ltd	-----	4.44%
	Director	Yangzhou City Modern Financial Investment Group Co., Ltd.	-----	15.17%
	Supervisor	MaxOnline : Ms. Jiang, Yu-Lan	-----	65.01%
	Supervisor	MaxOnline : Ms. Chang, Yu-Huan	-----	65.01%
Ritrax Corp. Ltd.(U.K)	Director	Mr. Lee, Yung Chih	-----	-----
	Director	Ms. Chang Yu-Huan	-----	-----
RME Manufacturing GMBH.(Germany)	Director	Ritek Group Inc： Mr. Richard Vong	-----	100%

Company Name	Title	Name of Representative	Shareholdings	
			Share(thousand)	shareholding ratio
Score High Group Ltd. (B.V.I)	Director	Ritek Corporation：Mr. Yeh, Chwei-Jing	-----	100%
Sky Chance International Ltd. (Samoa)	Director	Ritek Corporation：Mr. Yeh, Chwei-Jing	-----	100%
Team Diy Hardware Sdn. BHD.	Director	Sky Chance : Mr. Shih,Chu-Fu	-----	51%
Ritek Latin American Inc.(Panama)	Director	Sky Chance : Mr. Yeh, Cheng Kai		100%
RIC Vietnam Company Ltd.	Director	Score High Group Ltd.: Mr. Yeh, Chwei-Jing	-----	100%
	Director	Score High Group Ltd.: Mr. Chang, Chao Tien	-----	100%
	Director	Score High Group Ltd.: Ms. Li, Min Shan	-----	100%

(vi.) Business operation of affiliates 2018.12.31

Company	Unit	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating Income	Gross Profit	Net Income	Earnings per share(NTD)
								(after tax)	(after tax)
Advanced Media, Inc. (California USA)	USD	6,100	10,046	371	9,675	15,366	(439)	(428)	(0.07)
Affluence International Co., Ltd.(B.V.I)	TWD	1,162,325	619,098	0	619,098	0	(309)	(19,438)	(0.02)
Arlewood International Ltd	TWD	1,850,407	406,928	0	406,928	0	0	(3,787)	(0.00)
ART Management Ltd.(B.V.I)	TWD	837,255	424,440	0	424,440	0	(5,020)	(38,002)	(0.05)
Conrexx Technology B V.(The Netherlands)	EUR	16,254	7,897	937	6,960	12,024	(2)	(5)	(0.00)
Kunshan Hutek Co., Ltd. (Jiangsu ,China)	CNY	672,396	307,945	70,652	237,293	265,593	(40,869)	(32,357)	(0.05)
Kunshan Protek Co., Ltd. (Jiangsu ,China)	CNY	359,172	82,764	3,429	79,335	30,528	(2,998)	(736)	(0.00)
Kunshan Ritek Trading Company Ltd.	CNY	1,000	28,129	28,609	(480)	110,276	1,483	806	0.81
MaxOnline Limited (B.V.I)	TWD	5,187,944	1,809,149	95,450	1,713,699	268,021	(24,852)	(312,296)	(0.06)
Protit Corporation,Vietnam Ltd.	VND	204,161,639	198,085,088	2,500	198,082,588	0	(350,921)	(350,921)	(0.00)
Ritek Group Inc. (Cayman)	TWD	2,311,241	355,620	78,665	276,955	0	(271)	(27,975)	(0.01)
Ritek Vietnam Company Ltd.,	VND	2,252,815,901	2,189,092,345	1,156,618,678	1,032,473,667	1,394,876,504	(159,243,397)	(163,232,022)	(0.07)
Ritrax Corp. Ltd.(U.K)	GBP	2,400	3,726	11	3,715	9	(55)	(36)	(0.02)
RME Manufacturing GMBH.(Germany)	EUR	1,000	386	2,624	(2,238)	47	(23)	(51)	(0.05)
Score High Group Ltd. (B.V.I)	TWD	5,579,328	1,593,196	33,745	1,559,451	0	(17,555)	(253,633)	(0.05)
Sky chance international limited	TWD	63,716	37,325	0	37,325	0	(96)	(9,552)	(0.15)
TEAM DIY HARDWARE SDN.BHD.	MYR	8,000	5,909	1,832	4,077	11,400	(466)	(474)	(0.06)

Company	Unit	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating Income	Gross Profit	Net Income (after tax)	Earnings per share(NTD) (after tax)
Ritek Latin America	USD	250	105	1,370	(1,265)	19	(1,342)	(1,342)	(5.37)
Lilai (Yangzhou) Optoelectronic Technology Co., Ltd.	CNY	440,641	277,824	707	277,117	0	(56,112)	(55,430)	(0.13)
Chung Yuan Venture Capital & Investment International Inc.	TWD	403,912	533,894	66,292	467,602	24,615	19,632	19,710	0.49
Chung Fu Investment Ltd.	TWD	1,058,509	344,350	50,216	294,134	1,541	(5,369)	(5,369)	(0.05)
TaiyangHai Technology Co., Ltd.	TWD	836,000	218,599	195,023	23,576	0	(123)	(51,900)	(0.62)
AimCore Technology Co., Ltd.	TWD	684,670	3,202,629	593,300	2,609,329	722,072	(58,778)	27,066	0.40
PRORIT CORPORATION.	TWD	3,133,000	1,119,414	48,935	1,070,479	210,428	10,437	48,649	0.16
U-tech Technology Co., Ltd.	TWD	1,459,845	4,212,116	1,862,979	2,349,137	790,567	40,906	62,893	0.41
RITFAST CORPORATION	TWD	159,999	384,547	229,853	154,694	28,856	8,542	(9,138)	(0.57)
Ricare Co., Ltd.	TWD	10,000	1,016	(228)	1,244	0	(346)	(345)	(0.35)
E-Chemi Technology Co., Ltd.	TWD	131,420	226,784	84,706	142,078	70,712	(24,840)	(16,237)	(1.24)
Finesil Technology Co., Ltd.	TWD	87,000	331,765	260,149	71,616	336,214	(22,924)	(24,657)	(2.44)
Heli Energy Co., Ltd.	TWD	1,000	986	0	986	0	0	1	0.01
CASHIDO Technology Co., Ltd.	TWD	80,000	281,651	174,727	106,924	77,119	(29,726)	26,924	3.37

Company	Unit	Capital Stock	Total Assets	Total Liabilities	Net Value	Operating Income	Gross Profit	Net Income	Earnings per share(NTD)
								(after tax)	(after tax)
Ritdisplay Corporation	TWD	601,101	3,648,824	2,179,549	1,469,275	2,519,944	280,863	340,445	5.66
RITEDI CORPORATION	TWD	10,000	7,909	158	7,751	0	(947)	153	0.15
Lai Factory Co., Ltd.	TWD	81,000	63,780	2,488	61,292	4,245	(6,457)	(6,110)	(0.75)

(2) Consolidated financial statements of relevant companies

The entities that have to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited for the year ending December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises, shall be the same as those included in the consolidated financial statements prepared in accordance with the Financial Accounting Standard 7, "Consolidated and Separate Financial Statements." Furthermore, the information required to be disclosed in the combined financial statements shall be included in the consolidated financial statements. Therefore, Ritek Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

(3) Relationship report of the relevant companies: Inapplicable

2. Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year as of the date of publication of the annual report: Nil.

3. Status of common shares of the company acquired or disposed by subsidiaries in the past year and as of the publication of the annual report: none

4. Other major supplements: Nil.

IX. Matters with material effect on shareholders' equity or security price as stipulated in subparagraph 2 of paragraph 2 of Article 6 of the Securities Exchange Act: Nil.

RITEK CORPORATION

Chairman: Yeh, Chwei-Jing