Stock Code:3038

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Parent Company Only Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017

Address: No. 5, Central 1st Rd., Kaohsiung Export Processing Zone, Kaohsiung, Taiwan, R.O.C.
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The independent auditors' review report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Emerging Display Technologies Corp.:

Opinion

We have audited the financial statements of Emerging Display Technologies Corp. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in Note 3(a), the Company initially adopt the IFRS 9, "Financial Instruments" on January 1, 2018, but need not restate prior periods. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

1. **Valuation of inventory**

   Please refer to Note 4(g) Inventories and Note 5(b) of the financial statements for inventories and accounting estimate of inventory valuation, respectively. Information regarding the inventory is shown in Note 6(i) of the financial statements.

Description of key audit matters:

Inventory is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company is engaged in the manufacture and sale of liquid crystal displays and capacity touch panels. The Company focuses on the small and medium sized niche markets of non-consumable area. The products are used in industrial equipment, smart home devices, handheld devices, and information appliance products. The development strategy of the Company is focused on diversified and customized products which may result to have an impact on its inventory cost. As a consequence, there is a risk that the net realizable value of inventory may turn out to be lower than its carrying value. Therefore, the valuation of inventory is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included selecting samples to test the accuracy of inventory aging report; analyzing the changes of inventory aging; assessing the reasonableness of the accounting policy (such as the provision of inventory valuation and obsolescence), and assessing the reasonableness of the provision of inventory by reviewing the historical accuracy on provision. Moreover, we assess the changes of obsolescence inventory in the subsequent events, and the basis of net realizable value to evaluate the accuracy of the Company's provisions. In addition, we also assessed the appropriateness of the provisions and disclosures made by the management.

2. **Valuation of receivables**

Please refer to Note 4(f) and Note 5(a) of the financial statement for receivable and accounting estimate of receivable valuation, respectively. Information regarding the inventory is shown in Note 6 (g) of the financial statement.

Description of key audit matters:

The Company’s customers are the manufacturers of industrial equipment, smart home devices, handheld devices, and information appliance product. The cause of some customers delayed payment was due to the need to clarify the responsibility of problematic products that resulted from the failure of process or usage of the end product. Because of the inherent credit risk of receivables, the management has subjective and significant judgments with the balance of allowance for bad debts from receivables. Therefore, the valuation of receivables is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the process of account checking and collection with customers; analyzing the receivable aging report; reviewing the historical receipt and bad debt records, industrial economy, and concentration of credit risk of the customers; and considering the adequacy of the Company’s disclosures in the accounts in order to evaluate the appropriateness of loss allowances recognized under default risk and expected credit loss model.

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

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

In preparing the financial statements, the management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Unless the management either intends to liquidate the Company or to cease its operations, there is no realistic alternative but to do so.

Those charged with governance (including the Supervisors) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 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 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 Company’s internal control.

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 Company’s ability 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 financial statements. Or if such disclosures are inadequate, we have 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 the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Po Jen, Yang and Kuo Tsung, Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2019

Notes to Readers

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

The independent auditors' review report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 968,003	29	1,098,614	33
1110	Financial assets at fair value through profit or loss, current (note 6(b))	126,459	4	-	-
1120	Financial assets at fair value through other comprehensive income , current (note 6(c))	184,704	5	-	-
1125	Available-for-sale financial assets , current(notes 6(d) and 8)	-	-	390,457	11
1147	Investments in debt instrument without an active market, current (note 6(e))	-	-	4,423	-
1170	Accounts receivable, net (notes 6(g),(w))	207,313	6	236,707	7
1180	Accounts receivable - related parties, net (note 6(g),(w) and 7)	336,872	10	352,080	10
1200	Other receivables (note 6(h) and 7)	60,363	2	16,689	-
130X	Inventories (note 6(i))	725,926	22	651,580	19
1470	Other current assets (note 6(j) and 8)	41,973	1	11,497	-
	Total current assets	2,651,613	79	2,762,047	80
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income, non-current (note 6(c))	32,286	1	-	-
1543	Financial assets carried at cost, non-current (note 6(f))	-	-	35,000	1
1550	Investments accounted for using equity method (notes 6(k))	287,165	9	298,093	9
1600	Property, plant and equipment (note 6(m),8 and 9)	340,513	10	324,512	9
1780	Intangible assets (note 6(o))	2,448	-	3,425	-
1840	Deferred income tax assets (note 6(t))	27,893	1	32,446	1
1915	Prepayments for business facilities	-	-	6,368	-
1980	Other non-current financial assets (note 6(h),(j))	5,566	-	4,036	-
	Total non-current assets	695,871	21	703,880	20
	Total assets	$ 3,347,484	100	3,465,927	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(p),(af) and 8)	$ 370,000	11	557,000	16
2150	Notes payable	720	-	1,141	-
2170	Accounts payable	402,381	12	286,991	8
2180	Accounts payable - related parties (note 7)	105,463	3	96,881	2
2200	Other payables	209,312	6	167,009	5
2220	Other payables - related parties (note 7)	3,735	-	4,409	-
2230	Income tax liabilities	12,934	-	17,739	1
2300	Other current liabilities (notes 6(w))	12,629	-	17,947	1
	Total current liabilities	1,117,174	32	1,149,117	33
	Non-current liabilities:				
2540	Long-term borrowings (notes 6(q), (af) and 8)	398,888	12	398,246	12
2570	Deferred income tax liabilities (note 6(t))	932	-	-	-
2640	Net defined benefit liability, non-current (note 6(s))	88,226	3	82,998	2
2645	Guarantee deposits received	34	-	34	-
	Total non-current liabilities	488,080	15	481,278	14
	Total liabilities	1,605,254	47	1,630,395	47
	Equity attributable to owners of parent (note 6(u)):				
3100	Capital Stock	1,744,076	52	1,834,076	53
3200	Capital surplus	28,226	1	23,873	1
3300	Retained earnings	355,707	11	325,664	9
3400	Other equity interest	(112,570)	(3)	(74,872)	(2)
3500	Treasury shares	(273,209)	(8)	(273,209)	(8)
	Total equity	1,742,230	53	1,835,532	53
	Total liabilities and equity	$ 3,347,484	100	3,465,927	100

(English Translation of Financial Statements Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (notes 6(w),(x) and 7)**	$ 2,708,895	100	2,934,938	100
5000	**Operating costs (notes 6(i), (o), (s), (y), 7 and 12)**	2,346,998	87	2,543,718	87
	Gross profit	361,897	13	391,220	13
5910	Less: Unrealized profit (loss) from sales	9,687	-	12,338	-
5920	Add: Realized profit (loss) on from sales	12,338	-	20,186	1
	Gross profit	364,548	13	399,068	14
	Operating expenses (notes 6(g), (o), (s), (y), 7 and 12):				
6100	Selling expenses	123,801	5	119,044	4
6200	Administrative expenses	86,103	3	82,187	3
6300	Research and development expenses	103,245	4	96,265	3
6450	Expected credit loss	661	-	-	-
	Total operating expenses	313,810	12	297,496	10
6500	**Net other income (expenses) (note 6(z))**	194	-	1,094	-
	Net operating income	50,932	1	102,666	4
	Non-operating income and expenses (note 6(aa)):				
7010	Other income	33,604	1	18,604	-
7020	Other gains and losses	40,115	1	(45,902)	(2)
7050	Finance costs	(12,259)	-	(10,838)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	10,966	-	(564)	-
	Total non-operating income and expenses	72,426	2	(38,700)	(2)
7900	**Profit before income tax**	123,358	3	63,966	2
7950	**Income tax expense (note 6(t))**	11,432	-	9,652	-
	Profit	111,926	3	54,314	2
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(s))	(7,672)	-	2,991	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(15,204)	(1)	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, items that will not be reclassified to profit or loss (note 6(u))	(7,214)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (note 6(t))	-	-	-	-
		(30,090)	(1)	2,991	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation	858	-	(8,138)	-
8362	Unrealized gains (losses) of available-for-sale financial assets (note 6(ab))	-	-	10,575	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, items that will be reclassified subsequently to profit or loss (note 6(u))	(420)	-	10,573	-
8399	Income tax related to items that will be reclassified subsequently to profit or loss (note 6(t))	-	-	(270)	-
		438	-	12,740	-
8300	**Other comprehensive income**	(29,652)	(1)	15,731	-
8500	**Comprehensive income**	$ 82,274	2	70,045	2
	Earnings per share (New Taiwan Dollars) (note 6(v)):				
9750	**Basic net income per share(New Taiwan Dollars)**	$ 0.71		0.33	
9850	**Diluted net income per share(New Taiwan Dollars)**	$ 0.71		0.33	

See accompanying notes to financial statements.

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

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Total other equity interest				
	Ordinary shares	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity
Balance at January 1, 2017	**$ 1,949,076**	**33,663**	**21,614**	**96,448**	**220,322**	**(293)**	**-**	**(87,319)**	**(273,209)**	**1,960,302**
Profit	-	-	-	-	54,314	-	-	-	-	54,314
Other comprehensive income	-	-	-	-	2,991	(8,416)	-	21,156	-	15,731
Total comprehensive income	-	-	-	-	57,305	(8,416)	-	21,156	-	70,045
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	18,777	-	(18,777)	-	-	-	-	-
Special reserve	-	-	-	27,262	(27,262)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(70,025)	-	-	-	-	(70,025)
Purchase of treasury share	-	-	-	-	-	-	-	-	(128,382)	(128,382)
Retirement of treasury share	(115,000)	(13,382)	-	-	-	-	-	-	128,382	-
Cash dividends to subsidiaries	-	3,592	-	-	-	-	-	-	-	3,592
Balance at December 31, 2017	**1,834,076**	**23,873**	**40,391**	**123,710**	**161,563**	**(8,709)**	**-**	**(66,163)**	**(273,209)**	**1,835,532**
Effects of retrospective application	-	-	-	-	(8,314)	-	(79,429)	66,163	-	(21,580)
Balance at January 1, 2018 after adjustments	1,834,076	23,873	40,391	123,710	153,249	(8,709)	(79,429)	-	(273,209)	1,813,952
Profit	-	-	-	-	111,926	-	-	-	-	111,926
Other comprehensive income	-	-	-	-	(7,672)	438	(22,418)	-	-	(29,652)
Total comprehensive income	-	-	-	-	104,254	438	(22,418)	-	-	82,274
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	5,431	-	(5,431)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(68,349)	-	-	-	-	(68,349)
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-
Purchase of treasury share	-	-	-	-	-	-	-	-	(89,237)	(89,237)
Retirement of treasury share	(90,000)	763	-	-	-	-	-	-	89,237	-
Cash dividends to subsidiaries	-	3,590	-	-	-	-	-	-	-	3,590
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,452	-	(2,452)	-	-	-
Balance at December 31, 2018	**$ 1,744,076**	**28,226**	**45,822**	**109,212**	**200,673**	**(8,271)**	**(104,299)**	**-**	**(273,209)**	**1,742,230**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 123,358	63,966
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	62,896	80,533
Amortization expense	3,054	1,141
Expected credit loss / Provision for bad debt expense	661	262
Net loss on financial assets or liabilities at fair value through profit or loss	7,139	4,655
Interest expense	12,259	10,838
Interest income	(18,504)	(11,707)
Dividend income	(11,066)	(6,445)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(10,966)	564
Gain on disposal of property, plant and equipment and investment property	(1,347)	(25,124)
Gain on disposal of investments	-	(16,716)
Unrealized profit from sales	9,687	12,338
Realized profit on from sales	(12,338)	(20,186)
Unrealized foreign exchange loss (gain)	(4,278)	30,999
Gain on reversal of an impairment loss for investment property	-	(5,664)
Total adjustments to reconcile profit	37,197	55,488
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in accounts receivable	28,462	(71,375)
Decrease (increase) in accounts receivable－related parties	14,326	(51,113)
Decrease in other receivable	780	3,915
Increase in inventories	(74,346)	(11,596)
Increase in other current assets	(29,191)	(1,326)
Total changes in operating assets	(59,969)	(131,495)
Changes in operating liabilities:		
Decrease in notes payable	(421)	(1,062)
Increase (decrease) in accounts payable	116,571	(3,555)
Increase (decrease) in accounts payable－related parties	8,852	(9,006)
Increase (decrease) in other payable	39,172	(26,557)
Decrease in other payable－related parties	(739)	(311)
Decrease in other current liabilities	(5,318)	(2,328)
Decrease in net defined benefit liability	(2,444)	(2,516)
Total changes in operating liabilities	155,673	(45,335)
Total changes in operating assets and liabilities	95,704	(176,830)
Total adjustments	132,901	(121,342)
Cash inflow generated from (used in) operations	256,259	(57,376)
Interest received	18,587	10,653
Dividends received	11,066	6,445
Interest paid	(11,450)	(10,080)
Income taxes paid	(10,753)	(12,102)
Net cash flows from (used in) operating activities	263,709	(62,460)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(58,780)	-
Proceeds from disposal of financial assets at fair value through profit or loss	189,195	-
Acquisition of financial assets at fair value through other comprehensive income	(98,356)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	22,405	-
Acquisition of available-for-sale financial assets	-	(206,517)
Proceeds from disposal of available-for-sale financial assets	-	231,346
Decrease in investments in debt instrument without an active market	-	415,973
Prepayment for investments	(2,700)	-
Acquisition of property, plant and equipment	(69,311)	(26,053)
Proceeds from disposal of property, plant and equipment	1,347	48,132
Acquisition of intangible assets	(2,077)	(698)
Decrease in other financial assets	4,057	4
Increase in other non-current assets-related parties	(43,094)	-
Increase in prepayments for business facilities	-	(5,991)
Dividends received	4,981	11,047
Net cash flows from (used in) investing activities	(52,333)	467,243
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(187,000)	(155,000)
Increase in long-term borrowings	-	400,000
Decrease in guarantee deposits received	-	(126)
Cash dividends paid	(68,349)	(70,028)
Payments to acquire treasury shares	(89,237)	(128,382)
Net cash flows from (used in) financing activities	(344,586)	46,464
Effect of exchange rate changes on cash and cash equivalents	2,599	(27,775)
Net increase (decrease) in cash and cash equivalents	(130,611)	423,472
Cash and cash equivalents at beginning of period	1,098,614	675,142
Cash and cash equivalents at end of period	**$ 968,003**	**1,098,614**

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Emerging Display Technologies Corp. (the "Company") was incorporated as a limited liability company under the laws of the Republic of China (ROC) on September 23, 1994. The address of its registered office and principal place of business is No. 5, Central 1st Rd, Kaohsiung Economic Processing Zone, Kaohsiung City, Taiwan. The Company is engaged in the manufacture and sale of Capacity Touch Panels and liquid crystal displays (LCDs).

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the Board of Directors on March 8, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument, as a whole, is assessed for classification. For an explanation of how the Company classifies and measures its financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on the Company's accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. For the accounting policy of impairment of financial assets under IFRS 9, please see note 4(f).

(Continued)

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Notes to the Parent-Company-Only Financial Statements

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- The differences in the carrying amounts of financial assets, resulting from the adoption of IFRS 9, are recognized in retained earnings and other equity interest as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  －The determination of the business model within which a financial asset is held.

  －The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  －The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its assets will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. (There were no changes on the measurement categories and carrying amounts of financial liabilities.)

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables	1,098,614	Amortized cost	1,098,614
Debt instruments	Available-for-sale (note 1)	264,014	Mandatorily at FVTPL	264,014
Investments in debt instrument without an active market	Loans and receivables (note 2)	4,423	Amortized cost	4,423
Equity instruments	Available-for-sale (note 3)	126,443	FVOCI	126,443
	Financial assets measured at cost (note 4)	35,000	FVOCI	29,800
	Financial assets measured at cost	-	FVTPL	-
Accounts receivable (including related parties)	Loans and receivables (note 5)	605,476	Amortized cost	605,476
Other financial assets (refundable deposits)	Loans and receivables (note 5)	4,036	Amortized cost	4,036

(Continued)

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Except for cash and cash equivalents, debt instrument without an active market, accounts receivable, and other financial assets (deposits), the following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity	Note
Fair value through profit or loss							
Debt instruments:							
from available-for- sale	$ -	264,014	-		(8,314)	8,314	(note 1)
Total	-	264,014	-	264,014	(8,314)	8,314	
Fair value through other comprehensive income							
Equity instruments:							
Available-for-sale to FVOCI	126,443	-	-	126,443	-	-	
financial assets measured at amortized cost to FVOCI	-	35,000	(5,200)	29,800	-	(5,200)	(note 4)
Debt instruments:							
Available-for-sale to FVTPL	264,014	(264,014)	-	-	-	-	
Total	390,457	(229,014)	(5,200)	156,243	-	(5,200)	
Investments accounted for using equity method							
financial assets measured at cost to FVOCI from investee company	298,093	-	(16,380)	281,713	-	(16,380)	(note 6)
Total	$ 688,550	35,000	(21,580)	701,970	(8,314)	(13,266)	

Note1: Debt instruments (open-end mutual funds) are categorized as available-for-sale under IAS 39. They were managed on a fair value basis and their performance was monitored on this basis. The Company considers that these securities are held within a business model whose objective is achieved by selling securities. The Company considers that these securities are not held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. These assets have therefore been classified as financial assets at FVTPL under IFRS 9. An increase of $8,314 in other equity interest and a decrease of $8,314 in retained earnings were recognized on January 1, 2018.

Note2: Restricted time deposits that were previously classified as debt instrument without an active market are now classified at amortized cost as they are classified as loans and receivables. The Company intends to hold the assets to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding.

Note3: Under IFRS 9, available-for-sale financial assets – equity securities were designated as at FVOCI at the date of initial application.

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Note4: These equity securities represent the investments that the Company intends to hold for long term strategic purposes. As permitted by IFRS 9, the Company had designated these investments at the date of initial application as measured at FVOCI, each resulting in a decrease of $5,200 in financial assets measured at cost and other equity, respectively, on January 1, 2018.

Note5: Accounts receivable (including related parties), other receivables, and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note6: Under IFRS 9, investee companies, accounted for using equity method, classified equity instruments as at FVOCI at the date of initial application. Since the investee companies intend to hold those equity instruments for long term strategic purpose, a decrease of $16,380 in both the investments accounted for using equity method and other equity were recognized on January 1, 2018.

(ii) IFRS 15 "Revenue from Contracts with Customers"

The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18, and the related Interpretations for comparative reporting period. Please refer to note 4(p) for related accounting policies on revenue under IFRS 15.

Except for those disclosed in notes to the financial statements, the Company assesses that there would be no material impact on its financial statements because the point at which the related risks and rewards of ownership transfer is close to the point at which controlling power transfer.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as stated in note 6(af).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses and calculation of "future taxable income".

The Company estimates the abovementioned amendments would change the estimate of deferred tax asset under certain situations. However, there would be no material impact on the Company's financial statements for the year ended 2018.

(v) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration.

The Company plans to apply, prospectively, the interpretation initially recognized after the date of the initial application (on January 1, 2018) to all its assets, expenses and income. However, there would be no material impact on the Company's financial statements for the year ended 2018.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC "4 Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify their leases as finance or operating leases.

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1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company is assessing the potential impact of using the IFRS 16 definition of a lease to all its contracts.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the Company will choose to measure the right-of-use asset as an amount equal to the lease liability and recognize an adjustment to the opening balance at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its office, factory facilities, and warehouse. The Company estimated that both of the right-of-use assets and the lease liabilities will increase by $67,225 on January 1, 2019. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The Company estimates there would be no material impact on its financial statements for the abovementioned amendments.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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The Company is evaluating the impact of the abovementioned standards or interpretations on its financial position and financial performance upon its initial adoption. The results, thereof, will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language parent-company-only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated in note 3 and note 4(f,p), the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (available-for-sale financial assets) are measured at fair value;

3) The defined benefit liability is recognized as the present value of the defined benefit obligation less fair value of plan assets.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest .

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (available-for-sale) equity instrument;

2) A financial liability designated as hedge of the net investment in c foreign operation to the extent that the hedge is effective; or

3) Qualified cash flow hedge.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at average rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign exchange currency gains and losses arising from such a monetary items that are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expects to realized, or intended to be sold or consume in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(Continued)

(iii) It is expects to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current. An entity shall classify a liability as current when:

(i) It is expects to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the definition above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial Instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments, are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Company has right to receive payment is established, which in the case of quoted securities, is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI are measured at FVTPL, including derivative financial assets and accounts receivable. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits and other financial assets) and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL：

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, as well as analysis, based on the Company’s historical experience, informed credit assessment, and forward-looking information.

If there is a low risk of default on financial asset, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and the adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the financial asset would be considered low credit risk.

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When the contract amount is past due or the borrower is unlikely to pay its credit obligations to the Company in full, the Company considers the credit risk on a financial asset has increased significantly or a financial asset to be in default.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is

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no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

2) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, these financial assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary assets, are recognized in other comprehensive income and presented under fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

(Continued)

Financial assets in this category that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost, less any impairment losses, and they are classified as financial assets carried at cost.

Dividend income is recognized in profit or loss on the date when the Company has right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date; such dividend income is recognized in profit or loss, under income of non-operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss under other income of non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, investment in debt security with no active market, and refundable deposits. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in selling expense, others are included in non-operating income and expense.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss and it is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;

b) Performance of the financial liabilities is evaluated on a fair value basis; or

c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the

(Continued)

time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance cost.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and expenses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average costing principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The Company evaluates a controlled investee company when preparing its parent-company-only financial statements. Under the equity method, the profit and other comprehensive income in the parent-company-only financial statements are the same as the profit and other comprehensive income belonging to the parent company in the consolidated financial statements. And the equity in the parent-company-only financial statements is the same as equity belonging to parent company in

(Continued)

the financial statements on a consolidated basis.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

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The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1)	Buildings and construction	2～55 years
2)	Machinery and equipment	2～10 years
3)	Office equipment	3～5 years
4)	Other equipment	1～10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in an accounting estimate.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases in which the Company does not assume substantially all of the risks and rewards of ownership are classified as operating leases. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets acquired are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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(iii) Amortization

The amortizable amount is the cost of an asset, less, its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible asset from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1)	Patents	9～20 years
2)	Computer software cost	3 months～4 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as a change in accounting estimate.

(m) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell, and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Treasury shares

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(p) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company’s obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

The contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognized when products are delivered to customers.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Export sales revenue is recognized at the date of shipment, at which date the related risks and rewards are transferred to the customers. Domestic sales revenue is recognized at the date of deliveries received by the customers.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

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The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(u) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the financial statement.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Refer to note 6(g) for relevant assumptions and input values.

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to the Parent-Company-Only Financial Statements

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(i) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	$ 151	138
Demand deposits	168,605	210,632
Checking accounts	440	653
Time deposits	767,875	857,088
Notes under repurchase agreement	30,932	30,103
Cash and cash equivalents in the statement of cash flows	**$ 968,003**	**1,098,614**

Please refer to note 6(ac) for the interest rate risk and sensitivity analysis of the financial assets of the Company.

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

	December 31, 2018	December 31, 2017
Financial assets mandatorily measured at fair value through profit or loss－current:		
Open-end mutual funds	$ 126,080	-
Swap contract	379	-
	$ 126,459	**-**

Please refer to note 6(aa) for the recognition of gain or loss at fair value.

The aforementioned financial assets were not pledged as collaterals.

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to the Parent-Company-Only Financial Statements

The Company uses the derivative instruments, without the application of hedge accounting, to hedge certain currency the Company is exposed to arising from its operating activities. As of December 31, 2018, details were as follows

	Contract amount (in thousands)	Currency	Maturity Date
Swap contract	USD 3,000	NTD to USD	2019.01.22~2019.03.04

Please refer to note (ac) for the market risk and credit risk.

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

	December 31, 2018
Equity investments at fair value through other comprehensive income －current：	
Common stocks listed on domestic markets	$ 184,704
Equity investments at fair value through other comprehensive income－noncurrent：	
Common stocks unlisted on domestic markets	$ 31,428
Preference stocks listed on domestic markets	858
	$ 32,286

Please refer to note 13(a)(iii) for the details of equity instruments.

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial assets measured at cost on December 31, 2017. Please refer to note 6(d) and (f).

The aforementioned financial assets were not pledged as collaterals.

During the years ended December 31, 2018, the dividends of $11,066, related to equity investments at fair value through other comprehensive income held on December 31, 2018, were recognized

During the years ended December 31, 2018, the Company sold its shares held in Synnex Technology International Corp. as a result of financial management purpose. The shares were sold at fair value of $22,496, and the Company realized a gain of $2,452. The gain has been transferred from other equity interest to retained earnings.

Please refer to note 6(ac) for the market risk.

For the purpose of increasing investment benefits, the Company entrusted part of the listed stocks to banks. In accordance with the contract, The Company did not lose control of those financial assets. Therefore, those financial assets had not been derecognized. As of December 31, 2018 the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to $32,275.

(d) Available-for-sale financial assets

	December 31, 2017
Stocks listed on domestic markets	$ 126,443
Open-end mutual funds	264,014
	$ 390,457

Please refer to note 6(ac) for the market risk and credit risk.

Please refer to note 6(ab) for the recognition of other comprehensive gain (loss) at fair value.

The aforementioned financial assets were not pledged as collaterals.

These investments were classified as financial assets at fair value through other comprehensive income on December 31, 2018; please refer to note 6(c).

For the purpose of increasing investment benefits, the Company entrusted part of the listed stocks to banks. In accordance with the contract, the Company did not lose control of those financial assets. Therefore, those financial assets had not been derecognized. As of December 31, 2017, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to $31,898.

(e) Investment in debt instrument without an active market

	December 31, 2017
Restricted time deposits	**$ 4,423**

As of December 31, 2018, the aforementioned financial assets were classified as other financial assets in other current assets; please refer to note 6(j).

The aforementioned financial assets were pledged as collaterals; please refer to note 8.

(f) Financial assets measured at cost

		December 31, 2017
Stocks unlisted on domestic markets	$	35,000

The aforementioned investments held by the Company are measured at cost less accumulated impairment losses as of December 31, 2017. Without an active market, the fair value of these investments cannot be measured reliably. These investments were classified as financial assets at fair value through other comprehensive income－noncurrent on December 31, 2018; please refer to note 6(c).

Please refer to note 6(ac) for the market risk.

The aforementioned financial assets were not pledged as collaterals.

(g) Accounts receivable

		December 31, 2018	December 31, 2017
Accounts receivable-measured as amortized cost	$	227,007	259,313
Accounts receivable-subsidiaries-measured as amortized cost		336,872	352,080
Loss allowance		(19,694)	(22,606)
	$	544,185	588,787
Recognized in:			
Account receivable, net	$	207,313	236,707
Account receivable－related parties, net		336,872	352,080
	$	544,185	588,787

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not over due	$	149,537	-	-
Overdue less than 90 days		54,523	-	-
Overdue 91~180 days		3,253	-	-
Overdue 181~270 days		-	30.06%	-
Overdue 271~365 days		-	100%	-
Overdue 365 days		19,694	100.00%	19,694
	$	227,007		19,694

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As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of accounts receivable, and the aging analysis of accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Overdue less than 30 days	$ 69,601
Overdue 31 to 90 days	11,449
Overdue 91 to 270 days	5,311
Overdue over 271 days	-
	$ 86,361

The movement in the allowance for accounts receivables was as follow:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS39	$ 22,606	22,344	-
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	22,606		
Impairment losses recognized	661	-	262
Amounts written off	(3,573)	-	-
Balance on December 31, 2018 and 2017	$ 19,694	22,344	262

In 2018, allowance for accounts receivables decreased by $3,573 subject to write-off.

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of accounts receivable. The Company considers any change in credit quality of accounts receivable from the date credit was initially granted to the end of the reporting period when evaluating the collectability of accounts receivable. The Company evaluates the customers' credit and collectible amounts to estimate the allowance for doubtful accounts. The individual receivables found not to be specifically impaired are further collectively assessed for impairment by group based on similar risk characteristics.

The aforementioned financial assets were not pledged as collaterals.

Please refer to note 6(ad) for other credit risk information.

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(h) Other receivables and refundable deposits

	December 31, 2018	December 31, 2017
Other receivable—subsidiaries	$ 44,537	-
Other receivable －others	15,826	16,689
Refundable deposits	2,866	4,036
Loss allowance	-	-
	$ 63,229	20,725
Recognized in：		
Other receivable, net	$ 60,363	16,689
Other financial assets－noncurrent	2,866	4,036
	$ 63,229	20,725

As of December 31, 2017, there were no other receivables, which were past due but not impaired.

Please refer to note 6(ac) for other credit risk information.

(i) Inventories

	December 31, 2018	December 31, 2017
Raw materials and supplies	$ 267,544	210,912
Work in process	274,480	288,846
Finished goods	173,745	144,383
Inventories in transit	10,157	7,439
	$ 725,926	651,580

For the years ended December 31, 2018 and 2017, the cost of inventories recognized as operating costs and expenses were $2,373,395 and $2,565,285, respectively (including not amortized manufacturing expenses $24,516 and $35,636). In 2018 and 2017, the previous write-down inventories were sold, therefore, the net realizable value of inventories lowered than cost was no longer existed. The reversal of write-down amounted to $16,541 and $9,535 was recognized as a reduction of operating costs.

The inventories of the Company were not pledged as collaterals.

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(j) Other assets

The details of other assets were as follows:

		December 31, 2018	December 31, 2017
Tax refund receivable	$	1,907	1,368
Prepayment for purchases		30,987	5,231
Prepaid expenses		4,657	4,898
Restricted time deposits		1,536	-
Prepayment for investments		2,700	-
Assets for right to recover product to be returned		2,886	-
	$	44,673	11,497
Recognized in:			
Other current assets	$	41,973	11,497
Other non-current financial assets		2,700	-
	$	44,673	11,497

The abovementioned restricted time deposits was certificate deposit and was recognized as investment in debt instrument without an active market as of December 31, 2017; please refer to note 6(e). Restricted time deposits had been pledged as collateral; please refer to note 8.

(k) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

		December 31, 2018	December 31, 2017
Subsidiaries	$	287,165	298,093

In 2018, cash dividends from Ying Dar Corp. and Ying Cheng Corp. were $3,765 and $1,216, respectively. In 2017, cash dividends from Ying Dar Corp. were $11,047.

For the related information, please refer to the consolidated financial statements for the year ended December 31, 2018.

The investments accounted for using equity method of the Company were not pledged as collaterals.

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(l) Non-controlling interests' share of subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2018.

(m) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Buildings and construction	Machinery and equipment	Office equipment	Other	Total
Cost or deemed cost:					
Balance on January 1, 2018	$ 928,592	2,364,283	19,285	91,499	3,403,659
Additions	262	5,767	350	72,518	78,897
Reclassification	11,390	6,297	-	(17,687)	-
Disposals	-	(174,385)	-	(4,300)	(178,685)
Balance on December 31, 2018	$ 940,244	2,201,962	19,635	142,030	3,303,871
Balance on January 1, 2017	$ 926,796	2,371,785	19,285	153,489	3,471,355
Additions	1,796	3,032	-	17,444	22,272
Reclassification	-	14,250	-	(14,250)	-
Disposals	-	(24,784)	-	(65,184)	(89,968)
Balance on December 31, 2017	$ 928,592	2,364,283	19,285	91,499	3,403,659
Depreciation:					
Balance on January 1, 2018	$ 713,452	2,284,948	17,864	62,883	3,079,147
Depreciation	13,326	29,313	686	19,571	62,896
Reclassification	11,390	-	-	(11,390)	-
Disposals	-	(174,385)	-	(4,300)	(178,685)
Balance on December 31, 2018	$ 738,168	2,139,876	18,550	66,764	2,963,358
Balance on January 1, 2017	$ 700,015	2,258,750	16,974	112,546	3,088,285
Depreciation	13,437	50,982	890	14,863	80,172
Disposals	-	(24,784)	-	(64,526)	(89,310)
Balance on December 31, 2017	$ 713,452	2,284,948	17,864	62,883	3,079,147
Carrying amounts:					
Balance on December 31, 2018	$ 202,076	62,086	1,085	75,266	340,513
Balance on January 1, 2017	$ 226,781	113,035	2,311	40,943	383,070
Balance on December 31, 2017	$ 215,140	79,335	1,421	28,616	324,512

Please refer to note 6(aa) for gain (loss) on disposal of property, plant and equipment.

Property, plant and equipment pledged as collateral for long-term loans and finance as of December 31, 2018 and 2017, are disclosed in note 8.

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(n) Investment property

The cost, depreciation, and impairment of investment property for the year ended December 31, 2017 were as follows:

	Land	Building	Total
Cost or deemed cost:			
Balance on January 1, 2017	$ 10,079	21,670	31,749
Depreciation	(10,079)	(21,670)	(31,749)
Balance on December 31, 2017	$ -	-	-
Depreciation and impairment loss:			
Balance on January 1, 2017	$ -	14,702	14,702
Depreciation	-	361	361
Reversal of impairment loss	-	(5,664)	(5,664)
Disposals	-	(9,399)	(9,399)
Balance on December 31, 2017	$ -	-	-
Carrying amounts:			
Balance on December 31, 2017	$ -	-	-
Balance on January 1, 2017	$ 10,079	6,968	17,047

In June, 2017, the Company tested the cash generating unit of investment property for impairment, and estimated the recoverable amount was higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized. Therefore, the Company reversed the increased amount, amounting to $5,664. The reversal was recognized in other gains and losses in accompanying statements of comprehensive income. When assessing the impairment of investment property, the Company calculated the recoverable amount base on its value-in-use. When measuring the value-in-use of investment property, the Company considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. The yield applied to the net annual rentals to determine the fair value of investment property was 1.845%.

In November 2017, the Company sold aforementioned investment property for $46,906, with gain on disposal amounting to $24,556, which was recognized in other gains and losses in accompanying statements of comprehensive income. Before selling it, investment property was leased to third parties for factories. Each of the leases contains an initial non-cancellable period of five years. Subsequent renewals are negotiated with the lessee.

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(o) Intangible assets

The cost and accumulated amortization for intangible assets were as follows:

		Patent and other	Computer software cost	Total amount
Cost				
Balance on January 1, 2018	$	3,899	3,191	7,090
Individual acquisition		279	1,798	2,077
Disposal		(37)	-	(37)
Balance on December 31, 2018	$	4,141	4,989	9,130
Balance on January 1, 2017	$	6,725	50,799	57,524
Individual acquisition		550	148	698
Disposal		(3,376)	(47,756)	(51,132)
Balance on December 31, 2017	$	3,899	3,191	7,090
Amortization:				
Balance on January 1, 2018	$	1,897	1,768	3,665
Amortization		578	2,476	3,054
Disposal		(37)	-	(37)
Balance on December 31, 2018	$	2,438	4,244	6,682
Balance on January 1, 2017	$	4,882	48,774	53,656
Amortization		391	750	1,141
Disposal		(3,376)	(47,756)	(51,132)
Balance on December 31, 2017	$	1,897	1,768	3,665
Carrying value				
Balance on December 31, 2018	$	1,703	745	2,448
Balance on January 1, 2017	$	1,843	2,025	3,868
Balance on December 31, 2017	$	2,002	1,423	3,425

The amortization expenses of intangible assets included in the statement of comprehensive income were as follows:

		2018	2017
Operating costs	$	792	639
Operating expenses		2,262	502
Total	$	3,054	1,141

The intangible assets of the Company were not pledged as collateral.

(p) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 370,000	557,000
Unused short-term credit lines	$ 1,315,911	1,130,126
Range of interest rates	0.95%~1.05%	0.88%~1.05%

Please refer to note 8 for assets pledged as collateral for short-term borrowings.

As of December 31, 2018 and 2017, the letters of credit which were accepted for purchase of raw materials amounted to $6,374 and $8,917.

Please refer to note 6(ac) for the interest rate risk and sensitivity analysis of the financial liabilities of the Company.

(q) Long-term borrowings

The long-term borrowings were summarized as follows:

	December 31, 2018	December 31, 2017
Secured bank loans	$ 400,000	400,000
Less: discount on long term borrowings	(1,112)	(1,754)
Total	$ 398,888	398,246
Unused long-term credit lines	$ 400,000	400,000
Range of interest rates	1.8019%	1.7895%

The Company signed a 3-year syndicated loan contract with Taishin International Bank and seven other Banks at November17, 2016, with a credit line which decreases every 6 months since two years after the first appropriation date. The first and second phase will decrease by 20% of the effective credit line, and the third phase will decrease by 60%. The Company will repay the total borrowing upon maturity. The Company borrowed $400,000 at August 15, 2017, with restrictions related to the contract are as follows:

Pursuant to the loan contract, for the duration of the loan, the Company must conform to the predetermined financial covenants involving special financial ratios calculated based on the annual consolidated financial statements. If the special financial ratios cannot meet the requirement, the Company should improve within the nine months after the end of the fiscal year. If the adjusted financial ratios reviewed by the certified accountant meet the requirements, it will not be regarded as breach of the contract. During the period for adjustment, unused lines of credit, excluding the revolving credit extension, will be suspended until such ratios are in compliance with the contract requirement. But during the said period, the interest rate would increase to 0.125% unless the majority of the consortium agreed the exemption proposed by the Company. The financial covenants were as follows:

(i) A maximum debt ratio of 150% should be maintained.

(ii) A minimum current ratio of 100% should be maintained.

(iii) A minimum times interest earned ratio of 2.5 should be maintained.

(iv) Minimum net tangible assets of $1,600,000 should be maintained.

Assets pledged as collateral for long-term loans are disclosed in note 8.

(r) Operating lease

(i) The Company as leasee

Non-cancellable operating lease rentals that were payable were as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	4,053	2,366
Between one and five years		11,318	3,397
Over five years		9,349	2,434
	$	24,720	8,197

The Company leases land under operating leases. The leases typically run for 10 years, with an option to renew the lease after that date. Lease payments are adjusted periodically to reflect market rentals.

The rental expenses of operating leases were $4,053 and $4,041 for each of the years ended December 31, 2018 and 2017, and were included in profit or loss.

(ii) The Company as lessor

The Company leased out its investment property to third parties under operating leases before November, 2017. Please refer to note 6(n). The rental income from investment property was $900 in 2017. The investment property did not have any significant maintenance expense.

(s) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan asset at fair value are as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$	193,445	182,028
Fair value of plan assets		(105,219)	(99,030)
Net defined benefit liabilities	$	88,226	82,998

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The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on the years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $105,219 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

		2018	2017
Defined benefit obligations at January 1	$	182,028	186,226
Current service and interest cost		3,538	3,390
Remeasurement of the net defined benefit liabilities (assets)			
－Actuarial loss (gain) on financial assumptions change		7,720	(3,910)
－Experience		2,270	372
Employee benefits paid		(2,110)	(4,050)
Defined benefit obligations at December 31	$	193,446	182,028

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2018	2017
Fair value of plan assets at January 1	$	99,030	97,721
Interest income		1,642	1,497
Remeasurement of the net defined benefit liabilities (assets)			
－Return on plan assets (excluding current interest cost)		2,318	(548)

(Continued)

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	2018	2017
Contributions made by employer	4,339	4,410
Employee benefits paid	(2,110)	(4,050)
Fair value of plan assets at December 31	$ 105,219	99,030

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss was as follows:

	2018	2017
Current service cost	$ 583	599
Net interest cost on net defined benefit liabilities (assets)	1,313	1,294
	$ 1,896	1,893
Operating cost	$ 1,464	1,484
Selling expenses	65	62
General and administrative expenses	204	194
Research and development expenses	163	153
	$ 1,896	1,893
Actual return on assets	$ 3,960	949

5) Remeasurement in net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income were as follows:

	2018	2017
Cumulative amount at January 1	$ (32,052)	(35,043)
Recognized during the period	(7,672)	2,991
Cumulative amount at December 31	$ (39,724)	(32,052)

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions:

	December 31, 2018	December 31, 2017
Discount rate	1.375%	1.625%
Future salary increases	2.750%	2.750%

(Continued)

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $4,325.

The weighted-average lifetime of the defined benefits plans is 18.98 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased	**Decreased**
As of December 31, 2018		
Discount rate (changed 0.25%)	$ (7,721)	8,102
Future salary increasing rate (changed 0.25%)	7,863	(7,551)
As of December 31, 2017		
Discount rate (changed 0.25%)	(7,500)	7,896
Future salary increasing rate (changed 0.25%)	7,701	(7,344)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Details of the Company’s pension costs under the defined contribution method were as follows:

	2018	**2017**
Operating cost	$ 17,132	17,372
Selling expenses	1,284	1,265
General and administrative expenses	1,245	1,235
Research and development expenses	2,334	2,276
	$ 21,995	22,148

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(t) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing fiscal year 2018.

(i) Income tax expenses

The amount of income tax expense was as follows:

	2018	2017
Current tax expense (benefit)		
Current period	$ 9,655	19,312
Adjustment for prior periods	(3,708)	185
	5,947	19,497
Deferred tax expense		
Origination and reversal of temporary differences	8,487	(3,575)
Adjustment in tax rate	(5,725)	-
Change in unrecognized deductible temporary differences	2,723	(6,270)
	5,485	(9,845)
Income tax expenses	**$ 11,432**	**9,652**

No income tax was recognized directly in equity in 2018 and 2017.

The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	2018	2017
Items that will be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on available-for-sale financial assets	**$ -**	**(270)**

(Continued)

Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Income before income tax	$ 123,358	63,966
Income tax calculated based on the Company's tax rate	$ 24,671	10,874
Investment loss (gain) under equity method	(2,193)	96
Adjustment in tax rate	(5,725)	-
Income tax already paid abroad	-	76
Tax-exempt income-dividend income	(2,213)	(1,907)
Adjustment for prior year	-	185
Change in unrecognized temporary differences	2,723	(6,270)
Undistributed earnings additional tax at 10%	-	9,116
Investment tax credit	(2,800)	(3,900)
Others	(3,031)	1,382
Total	$ 11,432	9,652

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Pension expense	$ 15,202	12,479
Temporary differences related to investment on subsidiaries	46,642	48,828
	$ 61,844	61,307

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax liabilities:

	Unrealized exchange gain	Others	Total
Balance on January 1, 2018	$ -	-	-
Recognized in profit or loss	856	76	932
Balance on December 31, 2018	$ 856	76	932

(Continued)

		Unrealized exchange gain	Others	Total
Balance on January 1, 2017	$	1,748	1,064	2,812
Recognized in profit or loss		(1,748)	(1,064)	(2,812)
Balance on December 31, 2017	$	-	-	-

Deferred tax assets:

		Inventory valuation loss	Unrealized sales profit	Unrealized exchange loss	Others	Total
Balance on January 1, 2018	$	12,845	2,099	5,270	12,232	32,446
Recognized in profit or loss	$	(1,041)	(162)	(5,270)	1,920	(4,553)
Balance on December 31, 2018	$	11,804	1,937	-	14,152	27,893
Balance on January 1, 2017	$	9,755	3,433	-	12,495	25,683
Recognized in profit or loss	$	3,090	(1,334)	5,270	7	7,033
Recognized in other comprehensive income		-	-	-	(270)	(270)
Balance on December 31, 2017	$	12,845	2,099	5,270	12,232	32,446

(iii) Assessment of tax

The Company's tax returns for the years through 2016 were assessed by the R.O.C tax authority.

(u) Capital and other equities

(i) Ordinary shares

As of December 31, 2018 and 2017, the authorized share capital of the Company amounted to $3,500,000 comprising 350,000 thousand shares with a par value of New Taiwan dollars (TWD) 10 per share.

Reconciliation of shares issued by the Company is as follows:

	Ordinary shares	
Expressed in thousands of shares	**2018**	**2017**
Balance on January 1, 2018	183,408	194,908
Treasury shares retired	(9,000)	(11,500)
Balance on December 31, 2018	**174,408**	**183,408**

As of December 31, 2018 and 2017, the weighted-average numbers of shares of common stock outstanding excluded treasure stock and the common stock held by the Company' s subsidiaries were 153,613 thousand shares and 162,613 thousand shares, respectively.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Treasury share transactions	$ 28,226	23,873

According to the Company Act, any realized capital surplus is initially used to cover any deficit, and the balance, if any, could be transferred to common stock as stock dividend or distributed as cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and endowments received by the Company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the combined amount of any portions capitalized in any one year may not exceed 10% of paid-in capital.

(iii) Retained Earning

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. Only if the legal reserve have attained to the paid-in capital could be the exception, besides, special reserves are supposed to set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's industry is currently in a steady growth phase. The Company's dividend policy is to pay dividends from surplus considering the future capital budget requirement and cash requirements, and taking into the extent of dilution on earnings per share and influence upon return on equity. Therefore, the future distribution of earnings shall be distributed in cash dividends and/or stock dividends. The ratio of cash dividends shall not be less than 50% of the Company's total dividends for every year.

1) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2018 and 2017, Resolutions were passed during the board meeting for the Company to reclassify $74,873 and $87,612, respectively, as a special earnings reserve.

In accordance with Ruling No. 1010047490 issued by the FCS on November 21, 2012, if the market value of the Company's shares is lower than the carrying value of the Company's shares held by the subsidiaries at year-end, the Company should retain a special reserve amounting to the difference between the market value and the carrying value, based upon the Company's ownership percentage in the subsidiaries. When market value rebounds, the Company could reverse the special reserve. As of December 31, 2018 and 2017 Resolutions were passed during the board meeting for the Company to reclassify $34,339 and $36,098, respectively, as a special earnings reserve.

3) Earnings distribution

a) According to the resolutions of the annual stockholders' meetings held on June 12, 2018, and June 8, 2017, the appropriations of dividend from the distributable retained earnings of 2017 and 2016 were as follows:

	2017	2016
Dividends distributed to ordinary shareholders (New Taiwan Dollar)		
Cash	$ 0.40827680 (note 1)	0.40852705 (note 2)

(Note1) According to the resolutions of the annual stockholders meetings, the appropriation of dividend from the distributable retained earnings was NTD 0.4 per share. However, it was adjusted to NTD 0.40827680 because the repurchase of treasury shares affected shares outstanding.

(Note2) According to the resolutions of the annual stockholders meetings, the appropriation of dividend from the distributable retained earnings was NTD 0.4 per share. However, it was adjusted to NTD 0.40852705 because the repurchase of treasury shares affected shares outstanding.

(Continued)

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(iv)Other equity (net of tax)

	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance on January 1, 2018	$ (8,709)	-	(66,163)	(74,872)
Effects of retrospective application	-	(79,429)	66,163	(13,266)
Balance on January 1, 2018 after adjustments	(8,709)	(79,429)	-	(88,138)
The Company	858	(15,204)	-	(14,346)
Subsidiaries	(420)	(7,214)	-	(7,634)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(2,452)	-	(2,452)
Balance on December 31, 2018	$ (8,271)	(104,299)	-	(112,570)
Balance on January 1, 2017	$ (293)	-	(87,319)	(87,612)
The Company	(8,138)	-	10,305	2,167
Subsidiaries	(278)	-	10,851	10,573
Balance on December 31, 2017	$ (8,709)	-	(66,163)	(74,872)

(v) Treasury shares

The movements of treasury shares of the Company were as follows:

(Unit: thousands)

Reason for repurchase	January 1	Shares repurchased	Shares retired	December 31
2018				
To maintain the Company's integrity and shareholder's equity	-	9,000	(9,000)	-
To transfer shares to the Company's employee	12,000	-	-	12,000
	12,000	9,000	(9,000)	12,000
2017				
To maintain the Company's integrity and shareholder's equity	-	11,500	(11,500)	-
To transfer shares to the Company's employee	12,000	-	-	12,000
	12,000	11,500	(11,500)	12,000

The Board of Directors has resolved during the board meeting held on March 2 and August 3, 2018, for the Company to repurchase 9,000 thousand shares of its stock as treasury stock. The Company's board of directors approved resolutions to retire treasury stock amounting to 9,000 thousand shares on May 4 and November 2, 2018. The Board of Directors has resolved during the board meeting held on January 5 and February 20, 2017, for the Company to repurchase 11,500 thousand shares of its stock as treasury shares. The Company's Board of Directors approved resolutions to retire treasury shares, amounting to 11,500 thousand shares on February 9 and May 9, 2017. The related registration procedures had been completed.

In accordance with Article 28-2 of the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The aforementioned repurchased shares and amount did not exceed statutory limit.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

Ying Dar Corp. and Bae Haw Corp., subsidiaries of the Company, held the Company's common stock. In 2018 and 2017, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of December 31, 2018 and 2017, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of December 31, 2018 and 2017, their market values amounted to $83,547 and $87,944, respectively.

(v) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	2018	2017
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 111,926	54,314
Weighted-average number of ordinary shares (expressed in thousands of shares)	157,803	163,779
Expressed in New Taiwan dollars	$ 0.71	0.33

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		2018	2017
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$	111,926	54,314
Weighted-average number of ordinary shares (expressed in thousands of shares)		157,803	163,779
Effect of potentially dilutive ordinary stock			
－Employee share bonus (expressed in thousands of shares)		774	533
Weighted-average number of ordinary shares – diluted (expressed in thousands of shares)		158,577	164,312
Expressed in New Taiwan dollars	$	0.71	0.33

In computing basic earnings per share of ordinary stock, the weighted-average numbers of shares of ordinary stock outstanding excluded 8,794 thousand shares of ordinary stock held by the Company's subsidiaries as treasury shares.

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

		2018
Primary geographical markets:		
Europe	$	1,132,845
America		1,082,325
Others		493,725
	$	2,708,895
Major products lines:		
Liquid crystal display modules	$	1,659,541
Capacitive touch panel and capacitive touch panel module		1,007,995
Others		41,359
	$	2,708,895

For details on revenue for the year ended December 31, 2017, please refer to note 6(x).

(ii) Contract balances

		December 31, 2018	January 1, 2018
Accounts receivable (including related parties)	$	563,879	611,393
Less: allowance for impairment		(19,694)	(22,606)
	$	544,185	588,787
Unearned revenue	$	5,348	10,185

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For details on accounts receivable and allowance for impairment, please refer to note 6 (g).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the unearned revenue balance at the beginning of the period was $9,515.

(x) Revenue

For the year ended December 31, 2017, the Company's revenue consist of sales of goods, amounting to $2,934,938. Please refer to note 6 (w) for the details of revenue for the year ended December 31, 2018

(y) Employee remuneration and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute no less than 5% of the profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $6,704 and $3,476, and directors' and supervisors' remuneration amounting to $4,023 and $2,086, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. The aforementioned amounts are identical to those of the estimated amounts, as stated in the parent only financial statements 2018 and 2017. The amounts, as stated in the parent only financial statements, are identical to those of the actual distributions for 2018 and 2017. Related information would be available at the Market Observation Post System website.

(z) Net other income (expenses)

Net other income (expenses) consists of rental income.

(aa) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2018	2017
Interest income		
Bank deposits	$ 16,895	11,707
Loans to related parties	1,609	-
Others	191	157
Dividend income	11,066	6,445
Others	3,843	295
	$ 33,604	**18,604**

(Continued)

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(ii) Other gains and losses

The details of other gains and losses were as follows:

		2018	2017
Foreign exchange gains (losses)	$	41,731	(79,200)
Net gains on disposal of available-for-sale financial assets		-	16,716
Net losses on disposal of financial assets (liabilities) measured at fair value through profit or loss		(2,961)	(14,206)
Gain on disposal of investment property		-	24,556
Gain on disposal of property, plant and equipment		1,347	568
Gain on reversal of impairment loss on investment property		-	5,664
Others		(2)	-
	$	**40,115**	**(45,902)**

(iii) Finance costs

The details of finance costs were as follows:

		2018	2017
Interest expenses			
Bank loans	$	12,009	10,321
Management fee		250	517
	$	**12,259**	**10,838**

(ab) Reclassification adjustments components of other comprehensive income

The details of reclassified adjustments of the components of other comprehensive income were as follows:

		2018	2017
Available-for-sale financial assets			
Net change in fair value	$	-	27,766
Net change in fair value reclassified to profit or loss		-	(17,191)
Net change in fair value recognized in other comprehensive income	**$**	**-**	**10,575**

(Continued)

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(ac) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The Company's maximum exposure to credit risk was the carrying amount of financial assets and contract assets.

2) Concentration of credit risk

As of December 31, 2018 and 2017, one customer accounted for 60% and 58%, respectively, of total accounts receivable.

(ii) Credit risk of accounts receivable

For credit risk exposure of accounts receivable, please refer to note 6(g).

Other financial assets at amortized cost include other receivables and other financial assets, refundable deposits, and restricted time deposits (previously classified as investments in debt instrument without an active market on December 31, 2017). For the details on investments and loss allowance on December 31, 2017, please refer to note 6(e),(h),(j).

The following table presents whether assets measured at amortized cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance, and in the latter case, whether they were credit-impaired on December 31, 2018:

	Financial assets at amortized cost		
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**
Other receivable－related parties	$ 44,537	-	-
Other receivable－loans to employee	14,415	-	-
Other receivable－others	1,411	-	-
Refundable deposits	2,866	-	-
Restricted time deposits	1,536	-	-
Allowance for impairment	-	-	-
Amortized cost	$ 64,765	-	-
Carrying amount	$ 64,765	-	-

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The movement in the allowance for impairment for financial assets at amortized cost during the year ended December 31, 2018 was as follows:

	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Balance on January 1 per IAS39	$ -	-	2,828	2,828
Adjustment on initial application of IFRS 9	-	-	-	-
Balance on January 1 per IFRS 9	-	-	2,828	2,828
Write-off	-	-	(2,807)	(2,807)
Effect of movements in exchange rates	-	-	(21)	(21)
Balance on December 31	$ -	-	-	-

(iii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Secured loans (floating rate)	$ 398,888	(411,690)	(3,574)	(3,633)	(404,483)	-	-
Unsecured loans (floating rate)	370,000	(370,473)	(370,473)	-	-	-	-
Accounts payable (no interest)	402,381	(402,381)	(402,381)	-	-	-	-
Accounts payable－related parties (no interest)	105,463	(105,463)	(105,463)	-	-	-	-
Notes payable (no interest)	720	(720)	(720)	-	-	-	-
Other payable (no interest)	78,292	(78,292)	(78,292)	-	-	-	-
Other payable－related parties (no interest)	3,735	(3,735)	(3,735)	-	-	-	-
Guarantee deposits (no interest)	34	(34)	-	(34)	-	-	-
	$ 1,359,513	(1,372,788)	(964,638)	(3,667)	(404,483)	-	-
December 31, 2017							
Non-derivative financial liabilities							
Secured loans (floating rate)	$ 398,246	(418,411)	(3,550)	(5,393)	(86,617)	(322,851)	-
Unsecured loans (floating rate)	557,000	(557,461)	(557,461)	-	-	-	-
Accounts payable (no interest)	286,991	(286,991)	(286,991)	-	-	-	-
Accounts payable－related parties (no interest)	96,881	(96,881)	(96,881)	-	-	-	-
Notes payable (no interest)	1,141	(1,141)	(1,141)	-	-	-	-
Other payable (no interest)	66,670	(66,670)	(66,670)	-	-	-	-
Other payable－related parties (no interest)	4,409	(4,409)	(4,409)	-	-	-	-
Guarantee deposits (no interest)	34	(34)	-	-	(34)	-	-
	$ 1,411,372	(1,431,998)	(1,017,103)	(5,393)	(86,651)	(322,851)	-

(Continued)

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 50,383	30.715	1,547,527	56,721	29.76	1,688,022
JPY	34,512	0.2782	9,601	7,511	0.2642	1,984
CNY	790	4.472	3,535	47	4.565	214
EUR	23	35.2	821	-	-	-
Non-Monetary items						
USD	3,553	30.715	109,121	8,280	29.76	246,400
Financial liabilities						
Monetary items						
USD	11,022	30.715	338,532	8,275	29.76	246,261
JPY	28,101	0.2782	7,818	27,059	0.2642	7,149
EUR	18	35.20	633	-	-	-

2) Sensitivity analysis

Company exposures to foreign currency risk arises from the translation of cash and cash equivalents, accounts receivable, other receivables, financial assets at fair value through profit or loss (available-to-sale financial assets), accounts payable, and other payables that are denominated. As of December 31, 2018 and 2017, if the exchange rate of the TWD versus the USD, CNY, JPY, and EUR have increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by $10,583 and $11,926, for the years ended December 31, 2018 and 2017, respectively. The analysis is performed on the same basis of prior year.

3) Exchange gains and losses of monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2018 and 2017, foreign exchanges gain (loss) (including realized and unrealized portions) amount to gain $41,731 and loss $79,200, respectively.

(v) Interest rate analysis

For the Company's financial liabilities exposed to interest rate risk, please refer to the attached note about liquidity risk.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If interest rates had increased or decreased by 1% basis points, with all other variables held constant, the Company profit after tax for the years ended 2018 and 2017 would have been decreased or increased by $87 and $105, respectively. This is mainly as a result of liabilities bearing floating interest rates.

(vi) Other prices risks

If the prices of equity securities change at reporting date, with all other variables held constant, the influences were as follows:

	2018		2017	
Prices at reporting date	**Other comprehensive income after tax**	**Net income after Tax**	**Other comprehensive income after tax**	**Net income after Tax**
Increase by 3%	$ 5,567	3,130	10,456	-
Decrease by 3%	$ (5,567)	(3,130)	(10,456)	-

(vii) Fair value

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income (available for sale financial assets), are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2018				
	Carrying amount	**Fair Value Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or less					
Derivative financial assets	$ 379	-	379	-	379
Debt investment with quoted market price	126,080	126,080	-	-	126,080
Subtotal	126,459				

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	December 31, 2018				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Equity instrument with quoted market prices	185,562	185,562	-	-	185,562
Equity instrument at fair value without quoted market prices	31,428	-	-	31,428	31,428
Subtotal	216,990				
Financial assets at amortized cost					
Cash and cash equivalents	968,003	-	-	-	-
Accounts receivable	544,185	-	-	-	-
Other receivable	60,363	-	-	-	-
Restricted time deposits	1,536	-	-	-	-
Refundable deposits (recognized in other assets , non-current)	2,866	-	-	-	-
Subtotal	1,576,953				
Total financial assets	**$ 1,920,402**				
Financial liabilities at amortized cost					
Bank loans	$ 768,888	-	-	-	-
Notes payable	720	-	-	-	-
Accounts payable (including related parties)	507,844	-	-	-	-
Other payable (including related parties)	82,027	-	-	-	-
Guarantee deposits	34	-	-	-	-
Total financial liabilities	**$ 1,359,513**				

	December 31, 2017				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks in listed companies	$ 126,443	126,443	-	-	126,443
Open-end mutual fund	264,014	264,014	-	-	264,014
Financial assets carried at cost	35,000	-	-	-	-
Subtotal	425,457				
Loans and receivables					
Cash and cash equivalents	1,098,614	-	-	-	-
Debt instrument without an active market	4,423	-	-	-	-
Accounts receivable (including related parties)	588,787	-	-	-	-
Other receivable	16,689	-	-	-	-

(Continued)

	December 31, 2017				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Refundable deposits (recognized in other assets – current)	4,036	-	-	-	-
Subtotal	1,712,549				
Total financial assets	**$ 2,138,006**				
Financial liabilities at amortized cost					
Bank loans	$ 955,246	-	-	-	-
Notes payable	1,141	-	-	-	-
Accounts payable (including related parties)	383,872	-	-	-	-
Other payable (including related parties)	71,079	-	-	-	-
Guarantee deposits	34	-	-	-	-
Total financial liabilities	**$ 1,411,372**				

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

— Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Valuation techniques for financial instruments measured at fair value

Because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

3) Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

The fair values of the Company’s listed stocks, and open-end mutual funds with standard terms and conditions and traded in an active markets were determined by the quoted market prices

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Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date. Using discounted cash flow method to calculate fair value, the main assumption is to reflect monetary time value and return of invest risk to discount and measure based on investee's estimated future cash flow.

Derivative instruments

The fair value of forward exchange contracts is based on quoted prices from the counterparty.

4) Transfer between level 1 to level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2018 and 2017.

5) Movement of financial assets at fair value through other comprehensive income categorized as Level 3 for the year ended December 31, 2018.

	Unquoted equity instruments
Balance on January 1, 2018	$ 35,000
Effects of retrospective application	(5,200)
Balance on January 1, 2018 after adjustments	29,800
Other comprehensive income	1,628
Balance on December 31, 2018	**$ 31,428**

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income– equity investments.

The Company's equity investments without active market in Level 3 have more than one significant unobservable inputs. The significant unobservable inputs of equity investments without active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs for The Company's major equity investment without an active market－Chenfeng Optronics Corporation were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Discounted Cash Flow Method	• Continuing growth rate of 1.96% • Weighted average cost of capital of 11.82% • Market illiquidity discount rate of 38.36% • Non-controlling interests discount rate of 29.87%	• The higher the continuing growth rate is, the higher the estimated fair value would be. • The higher the Weighted average cost of capital, Non-controlling interests discount, and Market illiquidity discount are, the lower the estimated fair value would be. • The higher the market illiquidity discount is, the lower the estimated fair value would be. • The higher the multiplier and control premium are, the higher the estimated fair value would be.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For the year ended December 31, 2018, for fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects in other comprehensive income:

			Other comprehensive income	
	Inputs	Fluctuation in inputs	Favorable	Unfavorable
Financial assets at fair value through other comprehensive income－equity investments without an active market				
	Continuing growth rate 1.96%	0.1%	$ 230	220
	Weighted average cost of capital 11.82%	0.5%	1,630	1,470
	Market illiquidity discount rate 38.36%	1%	320	330
	Non-controlling interests discount rate 29.87%	1%	290	290

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ad) Financial risk management

(i) Overview

The Company have exposures to the following risks arising from financial instruments：

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. Every department is responsible for planning and controlling the risk management of the Company's operation and reports to the Board of Directors regularly.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The supervisor of the Company oversees how the management monitors the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The supervisor is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers , bank deposits, derivative financial instruments, and investment securities.

1) Accounts receivable and other receivables

The credit risk is impacted by the individual situation of each client. The Company continuously monitors the information concerning client credit risk factors, such as the default risk of the industries and countries in which the customers operate.

According to the credit policy, the Company has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviews credit limits periodically and requires customers to pay in advance when the customers' credit ratings do not meet the benchmark.

2) Investment

The credit risk exposure in the bank deposits, derivative financial instruments, and other financial instruments is measured and monitored by the finance department. Since the Company's transactions were with financial institutions with good credit ratings, there were no noncompliance issues, and therefore, there is no significant credit risk. Investments in other financial instruments are measured and monitored by the finance department with the instruction from the chairman to ensure each risk of the investment target is under the Company's acceptable level.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As of December 31, 2018 and 2017, the Company had unused credit lines amounting to $1,715,911 and $1,530,126, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Company engages in derivative financial instrument trading in order to manage the market risk, thus generating financial liabilities or financial assets. The execution of those transactions was under the Board of Directors' instruction.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the TWD. The currencies used in these transactions are the TWD, USD and JPY.

At any point in time, the Company's principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operations. The Company mainly hedges its currency risk using foreign exchange agreements wherein the maturity date is less than six months.

2) Interest rate risk

The Company adopts a policy to ensure the exposure to changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Company can manage its interest rate risk through maintaining an appropriate portfolio of floating interest rates and fixed interest rates.

3) Other market price risk

The company is exposed to equity price risk due to the investments in equity instruments that contain unsure future prices. Therefore, the Company monitors and manages the equity investments by holding a varied investment portfolio and regularly updating the information on equity instruments.

(ae) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company manages its capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents, financial assets of fair value through other comprehensive income (available-for-sale financial assets current), and financial assets at fair value through profit or loss, current. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest. As in 2018, the Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting period were as follows:

	December 31, 2018	December 31, 2017
Net debt	$ 326,088	141,324
Total equity	$ 1,742,230	1,835,532
Debt-to-equity ratio	18.72%	7.70%

In 2018, cash and cash equivalent, and total equity, both decreased since the treasury shares were repurchased and retired. As a consequence, the net debt had increased and the total equity had decreased on December 31, 2018, resulting in the debt to equity ratio to be higher than that of December 31, 2017.

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Notes to the Parent-Company-Only Financial Statements

(af) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-Cash changes: Foreign exchange movement	Non-Cash changes: Amortization	December 31, 2018
Short-term borrowings	$ 557,000	(187,000)	-	-	370,000
Long-term borrowings	398,246	-	-	642	398,888
Total liabilities from financing activities	**$ 955,246**	**(187,000)**	**-**	**642**	**768,888**

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are subsidiaries and other entities that have had transactions with the Company during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Emerging Display Technologies Corp., U.S.A. (EDTA)	Subsidiary
Emerging Display International (Samoa) Corp. (EDTS)	Subsidiary
EDT-Europe ApS (EDTE)	Subsidiary
Tremendous Explore Corp. (EDT-B.V.I)	Subsidiary
Emerging Display Technologies Korea (EDTK)	Subsidiary
EDT-Japan Corp. (EDTJ)	Subsidiary
Ying Dar Investment Development Corp. (Ying Dar Corp.)	Subsidiary
Bae Haw Investment Development Corp. (Bae Haw Corp.)	Subsidiary
Ying Cheng Investment Development Corp. (Ying Cheng Corp.)	Subsidiary
Dong Guan Emerging Display Limited (EDT-Dong Guan)	Sub-subsidiary

(b) Significant related party transactions

(i) Operating revenue

The amounts of significant sales transactions by the Company to related parties were as follows:

	2018	2017
Subsidiaries-EDTA	$ 1,082,325	1,187,060

As of December 31, 2018 and 2017, the unrealized profit from sales to related parties amounted to $9,687 and $12,338, respectively, which were included in adjustment to investments accounted for using equity method in the accompanying balance sheets.

The selling prices for sales to subsidiaries were not significantly different from those for third-party customers. The collection terms were three months, which were not significantly different from those of other customers.

The receivables from related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiaries-EDTA	$ 336,872	352,080

(ii) Consigned for processing

The Company's sales of raw material (including the Company purchased on behalf of the related parties) and semi-finished products through EDT-B.V.I to EDT-Dong Guan were considered as contracted processing. The processing cost and material cost in 2018 and 2017 amounted to $280,704 and $340,128, respectively. As of December 31, 2018 and 2017, the payables resulting from the above transactions amounted to $105,463 and $96,881, respectively, and were included in accounts payable-related parties in the accompanying balance sheets.

(iii) Commission expense

The details of commission expense paid to subsidiaries were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries		
EDTE	$ 45,810	48,415
EDTJ	13,707	8,824
Other subsidiaries	4,844	5,139
	$ 64,361	62,378

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The details of commission expense paid to subsidiaries, included in accounts payable-related parties in accompanying balance sheets, were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries		
EDTE	$ 3,428	3,332
EDTJ	-	623
EDTA	307	454
	$ 3,735	4,409

(iv) Loans to related parties

The loans to related parties were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries－EDTA(recognized in other receivables)	$ 44,537	-

The interest is based on US dollars and floating rate. In 2018, the interest rates ranged between 4.67% and 4.92%, with the interest revenue amounting to $1,609. The loans to related parties were unsecured. There are no expected credit loss required after the management's assessment. The interest receivables had been received by the Company as of December 31, 2018.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 24,842	21,288
Post-employment benefits	505	490
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 25,347	21,778

In 2018 and 2017, the Company provided five cars with carrying amount of $13,053 and six cars with carrying amount of $12,800, respectively, for key management personnel use. The Company rented another car for their key management personnel to use before March, 2018. The rental car expense amounted to $226 and $905 for the year ended December 31,2018 and 2017, respectively.

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Notes to the Parent-Company-Only Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Purpose	December 31, 2018	December 31, 2017
Other financial assets (debe instrument without an active market)-time deposits-current	Guarantee for customs	$ 1,536	1,521
Debe instrument without an active market)-current-time deposits	Guarantee for short-term borrowings	-	2,902
Property, plant and equipment-buildings	Guarantee for long-term borrowings	202,076	215,140
		$ 203,612	219,563

(9) Commitments and contingencies:

(a) As of December 31, 2018 and 2017, the Company's unused letters of credit for purchases of raw materials amounted to $4,150 and $21,797, respectively.

(b) As of December 31, 2018 and 2017, the Company has signed contracts for the purchase of equipment. The unrecognized contingencies of those contracts amounted to $2,630 and $11,384, respectively.

(10) Losses due to major disasters: none

(11) Subsequent events:

The Company's Board of Directors approved resolutions to repurchase 5,000 thousand shares of its shares as treasury shares from January to March on January 8, 2019. As of March 8, 2019, when financial statements were authorized for issuance by the Board of Directors, 5,000 thousand shares had been repurchased.

(12) Other:

The followings were the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function	2018			2017		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary(Note)	338,830	106,235	445,065	329,188	91,512	420,700
Labor and health insurance	36,927	6,638	43,565	38,127	6,736	44,863
Pension	18,596	5,295	23,891	18,856	5,185	24,041
Remuneration of directors	-	7,657	7,657	-	6,840	6,840
Others	2,617	462	3,079	2,888	493	3,381
Depreciation	59,860	3,036	62,896	76,940	3,593	80,533
Amortization	792	2,262	3,054	639	502	1,141

(Continued)

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Notes to the Parent-Company-Only Financial Statements

As of December 31, 2018 and 2017, the numbers of the Company's employees were 849 and 892, respectively, including 6 and 7 non-employee directors, respectively.

(Note) Including salary, bonus, over time and food expenses.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for 2018:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 1)	Ending balance (Note 1)	Actual usage amount during the period (Note 1)	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	Emerging Display Technologies Corp., U.S.A.	Other receivable-related parties	YES	44,537 (USD1,450,000)	44,537 (USD1,450,000)	44,537 (USD1,450,000)	4.67%~4.92%	The need for short- term financing	-	The need for working capital	-	-	-	174,223 (Note 2)	696,892 (Note 2)	(Note 3)

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 2018.

Note 2: The allowable amount of financing provided to individual company cannot exceed 10% of the net worth of the Company. The total allowable amount of financing provided to others cannot exceed 40% of the net worth of the Company.

(ii) Guarantees and endorsements for other parties: none

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(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31,2018				Remarks
				Units (shares)	Carrying value	Percentage of ownership	Fair value	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets at fair value through other comprehensive income-noncurrent	1,200,000	11,388	5.00%	11,388	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	20,040	2.17%	20,040	-
The Company	Fubon Financial Holding Co., Ltd. preference stock	-	Financial assets at fair value through other comprehensive income-noncurrent	13,845	858	-	858	-
The Company	Innolux Corp. stock	-	Financial assets at fair value through other comprehensive income-current	1,147,089	11,150	0.01%	11,150	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	300,000	14,115	-	14,115	-
The Company	E.SUN Financial Holding Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	1,485,766	29,864	0.01%	29,864	-
The Company	Radiant Opto-Electronics Corp. stock	-	Financial assets at fair value through other comprehensive income-current	250,000	21,125	0.05%	21,125	-
The Company	Taiwan Cement Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	330,000	11,748	0.01%	11,748	-
The Company	Synnex Technology International Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	458,000	16,671	0.03%	16,671	-
The Company	King Yuan Electronics Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	1,069,000	24,854	0.09%	24,854	-
The Company	Nan Ya Plastics Corporation stock	-	Financial assets at fair value through other comprehensive income-current	210,000	15,855	-	15,855	-
The Company	Pegatron Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	216,000.00	11,102	0.01%	11,102	-
The Company	Mega Financial Holding Co., Ltd stock	-	Financial assets at fair value through other comprehensive income-current	555,000.00	14,403	-	14,403	-
The Company	Coasia Microelectronics Corp. stock	-	Financial assets at fair value through other comprehensive income-current	441,508.00	4,265	0.32%	4,265	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	480,000.00	9,552	0.78%	9,552	-
The Company	Yuanta Asia Pacific ex Jpn Invt Grd Govt Bd Idx (A)	-	Financial assets at fair value through profit or loss-current	2,000,000.00	17,338	-	17,338	-
The Company	Edmond de Rothschild Fund – Europe Convertibles(A)-USD	-	Financial assets at fair value through profit or loss-current	8,468.12	23,744	-	23,744	-
The Company	JPMorgan Funds – Asia Pacific Income Fund - JPM Asia Pacific Income A (acc) - USD	-	Financial assets at fair value through profit or loss-current	86,206.90	55,499	-	55,499	-
The Company	BlackRock Global Fund - Emerging Markets Bond Fund A2 USD	-	Financial assets at fair value through profit or loss-current	56,561.09	29,499	-	29,499	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	550,000	10,945	0.90%	10,945	-
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Financial assets at fair value through other comprehensive income-current	101,500	695	0.02%	695	-

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Notes to the Parent-Company-Only Financial Statements

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31,2018				Remarks
				Units (shares)	Carrying value	Percentage of ownership	Fair value	
Ying Dar Investment Development Corp.	The Company's stock	Parent Company	Financial assets at fair value through other comprehensive income-noncurrent	5,346,672	50,793	3.07%	50,793	-
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets at fair value through other comprehensive income-current	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	380,000	7,562	0.62%	7,562	-
Bae Haw Investment Development Corp.	The Company's stock	Parent Company	Financial assets at fair value through other comprehensive income-noncurrent	3,447,716	32,753	1.98%		-
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets at fair value through other comprehensive income-noncurrent	6,000,000	120,240	13.03%	120,240	-

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the capital stock: none

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: none

(vi) Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: none

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EMERGING DISPLAY TECHNOLOGIES CORP.
Notes to the Parent-Company-Only Financial Statements

(vii) Related-parties transactions for purchases to and sales from exceeding the lower of $100 million or 20% of the capital stock:

Purchasing (selling) company	Related party	Nature of Relationship	Details of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	Percentage of net purchases (sales)	Credit line	Unit price	Payment terms	Balance	Percentage of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Sale	1,082,325	39.95%	3 months	Sales prices offered to Emerging Display Technologies Corp., U.S.A. were not significantly different from those offered to other customers.	Considering the trading practices in North American market, the Company set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets.	336,872	59.74%	-
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	280,704	17.33%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the subsidiary provides processing service to.	(105,463)	20.77%	-
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,082,325	100.00%	3 months	The Company is the major supplier for Emerging Display Technologies Corp., U.S.A. There is no comparable transaction	The Company is the major supplier for Emerging Display Technologies Corp., U.S.A.	(336,872)	100.00%	-
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	280,704	100.00%	1-3 months	The Company is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the subsidiary provides processing service to.	105,463	100.00%	-
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary and sub- subsidiary of the Company, respectively	Purchase (processing cost)	278,749	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(72,997)	89.82%	-
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary and sub-subsidiary of the Company, respectively	Sale (processing revenue)	278,749	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	72,997	100.00%	-

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Notes to the Parent-Company-Only Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company that has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Accounts receivable of $336,872	3.14	-	-	146,338	-	-
			Other receivable of $44,537	-	-	-	-	-	-
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Accounts receivable of $105,463	2.77	-	-	59,089	-	-

(ix) Trading in derivative instruments:

Please refer to note 6(b).

(b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Business scope	Original cost of investment		Balance as of December 31, 2018			Net income (loss) of the investee	Investment income (loss) recognized	Remarks
				December 31, 2018	December 31, 2017	Shares owned	Percentage owned	Carrying value			
The Company	Emerging Display Technologies Corp., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	74,186 (Note 1)	3,428	3,440	Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	93,260	6,872	5,393	Subsidiary
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	1,742	(1)	(1)	Subsidiary
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(9,408)	(2,026)	(2,026)	Subsidiary
The Company	Emerging Display Technologies Korea	Korea	Customer service and business support	1,677	1,677	58,212,500	100.00%	1,235	43	43	Subsidiary
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	3,943	953	953	Subsidiary
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	20,549	1,631	1,631 (Note 2)	Subsidiary
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	33,200	1,590	1,590	Subsidiary
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	68,458	(108)	(57) (Note 2)	Subsidiary
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	7,010	6,872	405	Subsidiary
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,557	6,872	784	Subsidiary

Note 1：Unrealized sales profit amounting to $9,687 was deducted.

Note 2：Cash dividends to subsidiaries, which were reclassified as capital surplus, were deducted.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to the Parent-Company-Only Financial Statements

(c) Information on investment in mainland China:

(i) Information on investment in Mainland China:

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January 1, 2018	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December 31, 2018	Net income of investee	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of December 31, 2018	Accumulated investment income repatriated to Taiwan as of December 31, 2018
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (USD$7,625,300)	Investing through a third country by establishing a holding company, Emerging Display International (Samoa) Corp., in a third country.	219,225 (USD$6,746,936) (Note 1)	-	-	219,225 (USD$6,746,936)	6,769	95.80% (Note 2)	6,584 Based on the investee's financial statements audited by the same auditor of the Company (Note 3)	104,735 (Note 4)	-

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Notes to the Parent-Company-Only Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Upper Limit on Investment in Mainland China by Investment Commission of Ministry of Economic Affairs
212,998 (Note 8) (USD$6,934,668) (Note 5)	428,527 (Note 8) (USD$13,951,732) (Note 6)	1,127,716 (Note 7)

Note 1：The amount includes $13,234 which was invested by Ying Dar Investment Development Corp. and $25,488 which was invested by Bae Haw Investment Development Corp.

Note 2：The ratio includes 5.90% which was held by Ying Dar Investment Development Corp. and 11.41% which was held by Bae Haw Investment Development Corp.

Note 3：The amount includes a gain of $399 which was recognized by Ying Dar Investment Development Corp. and a gain of $772 which was recognized by Bae Haw Investment Development Corp.

Note 4：The amount includes $6,450 which was invested by Ying Dar Investment Development Corp. and $12,474 which was invested by Bae Haw Investment Development Corp.

Note 5：The amount includes the remaining capital amounting to US$187,732 of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. not remitted back after it had completed liquidation in 2009.

Note 6：The approved amount includes US$637,732 obtained from Ying Dar Investment Development Corp. and US$870,000 obtained from Bae Haw Investment Development Corp. The amount obtained from Ying Dar Investment Development Corp. includes the remaining capital amounting to US$187,732 of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. not remitted back after it had completed liquidation in 2009.

Note 7：The amount includes $42,806 for Ying Dar Investment Development Corp. and $39,572 for Bae Haw Investment Development Corp.

Note 8：Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2018.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the parent-company-only financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2018.