

**(English Translation of Financial Report Originally Issued  
in Chinese )  
EMERGING DISPLAY TECHNOLOGIES CORP. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**December 31, 2019 and 2018**

**(With Independent Auditors' Report Thereon)**

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## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Emerging Display Technologies Corp. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements."

In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Emerging Display Technologies Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Emerging Display Technologies Corp.

By  
Ray Tseng  
Chairman  
March 10, 2020

## Independent Auditors' Report

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

### Opinion

We have audited the accompanying consolidated financial statements of Emerging Display Technologies Corp. and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated 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 and the International Financial Reporting Standards(IFRS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations(SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

### Key Audit Matters

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

#### 1. Valuation of inventory

Please refer to Note 4(h) Inventories and Note 5 of the consolidated financial statements for inventories and accounting estimate of inventory valuation, respectively. Information regarding the inventory is shown in Note 6(f) of the consolidated 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 Group is engaged in the manufacture and sale of liquid crystal displays and capacity touch panels. The Group 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 Group is focused on diversified and customized products which may result to have an impact on its inventory cost. As a result, there is a risk that the net realizable value of inventory may turn out to be lower than its carrying value. Therefore, this 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 provision of inventory valuation and obsolescence, reviewing the accuracy of prior year's inventory allowance and assessing the reasonableness of the 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 Group's provisions. In addition, we also assessed the appropriateness of the provisions and disclosures made by the management.

## 2. Accounts receivable

Please refer to Note 4(g) of the consolidated financial statement for receivable. Information regarding the account receivable impairment assessment is shown in Note 6 (d) of the consolidated financial statements.

Description of key audit matters:

The Group'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 there is a need to clarify the responsibility of problematic products that resulted from the failure of process or the usage of end product. Because of the inherent credit risk of receivables, collection results had been highly paid attention by both internal and external stakeholders. Also, the amount of accounts receivable is significant to financial statements. Therefore, this 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 processes 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, evaluating the reasonableness of expected credit loss policy, and evaluating the appropriateness of related disclosures.

### **Other Matters**

We have also audited the parent company only financial statements of Emerging Display Technologies Corp. as of and for the year ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 consolidated financial statements, the management is responsible for assessing the Group'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 Group or to cease its operations, there is no realistic alternative but to do so.

Those charged with governance including supervisors are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on this consolidated 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 consolidated 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 Yen Ta, Su.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2020

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the statement of financial position, financial performance and 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES****Consolidated Balance Sheets****December 31, 2019 and 2018**

(Expressed in thousands of New Taiwan dollars)

Assets	2019.12.31		2018.12.31		Liabilities and equity	2019.12.31		2018.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets :</b>					<b>Current liabilities :</b>				
Cash and cash equivalents (Note 6(a))	\$ 1,368,252	38	1,029,113	30	Short-term loans (Notes 6(m))	\$ 400,000	11	370,000	11
Financial assets at fair value through profit or loss, current (Note 6(b))	54,094	1	126,459	4	Financial liabilities at fair value through profit or loss, current (Notes 6(b))	994	-	-	-
Financial assets at fair value through other comprehensive income, current (Note 6(c))	109,554	3	203,906	6	Notes payable	307	-	720	-
Accounts receivable, net (Note 6(d) and 6 (u))	537,591	15	468,844	14	Accounts payable	431,437	12	459,356	14
Other receivables (Note 6(e) and 6(y))	18,684	-	15,840	-	Other payables	283,605	8	237,415	7
Income tax assets	95	-	630	-	Income tax liabilities	57,038	2	14,199	-
Inventories (Note 6(f))	803,035	22	844,538	25	Lease liabilities, current (Notes 6(o))	11,907	-	-	-
Other current assets (Note 6(g) and 8)	59,389	2	55,271	2	Long-term loans, current portion (Notes 6(n) and 8)	319,555	9	-	-
<b>Total current assets</b>	<b>2,950,694</b>	<b>81</b>	<b>2,744,601</b>	<b>81</b>	Other current liabilities (Notes 6(u))	23,398	-	14,909	-
<b>Non-current assets:</b>					<b>Total current liabilities</b>	<b>1,528,241</b>	<b>42</b>	<b>1,096,599</b>	<b>32</b>
Financial assets at fair value through other comprehensive income, non-current (Note 6(c))	140,762	4	152,526	5	<b>Non-current liabilities :</b>				
Property, plant and equipment (Notes 6(i) ,6(k) and 8)	365,955	10	455,838	13	Long-term loans (Notes 6(n) and 8)	-	-	398,888	12
Right-of-use assets (Notes 6(j))	77,207	2	-	-	Deferred income tax liabilities (Note 6(r))	-	-	932	-
Investment property (Notes 6(i) ,6(k) and 6(p))	57,834	2	-	-	Lease liabilities, non-current (Notes 6(o))	66,575	2	-	-
Intangible assets (Note 6(l))	3,777	-	2,471	-	Net defined benefit liabilities, non-current (Note 6(q))	88,546	2	88,226	3
Deferred income tax assets (Note 6(r))	33,003	1	28,132	1	Guarantee deposits received	587	-	264	-
Other non-current financial assets (Notes 6(g) and 8)	7,634	-	10,500	-	Other non-current liabilities	936	-	-	-
<b>Total non-current assets</b>	<b>686,172</b>	<b>19</b>	<b>649,467</b>	<b>19</b>	<b>Total non-current liabilities</b>	<b>156,644</b>	<b>4</b>	<b>488,310</b>	<b>15</b>
					<b>Total liabilities</b>	<b>1,684,885</b>	<b>46</b>	<b>1,584,909</b>	<b>47</b>
					<b>Equity attributable to shareholders of the parent</b>				
					<b>(Note 6 (s)) :</b>				
					Capital stock	1,624,076	45	1,744,076	51
					Capital surplus	4,397	-	28,226	1
					Retained earnings	539,266	15	355,707	10
					Other equity interest	(102,612)	(3)	(112,570)	(3)
					Treasury stock	(173,021)	(5)	(273,209)	(8)
					Total equity attributable to shareholders of the parent	1,892,106	52	1,742,230	51
					<b>Non-controlling interests(Note 6(h))</b>	59,875	2	66,929	2
					<b>Total equity</b>	<b>1,951,981</b>	<b>54</b>	<b>1,809,159</b>	<b>53</b>
<b>TOTAL</b>	<b>\$ 3,636,866</b>	<b>100</b>	<b>3,394,068</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 3,636,866</b>	<b>100</b>	<b>3,394,068</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
(Expressed in thousands of New Taiwan dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Operating revenue (Note 6(u) )	\$ 4,107,559	100	2,818,735	100
Operating cost (Note 6(f , l, p, q & v) and 12 )	3,306,539	80	2,339,384	83
Gross profit	801,020	20	479,351	17
Operating expenses (Note 6(d, l, p, q & v) 7 and 12):				
Selling expenses	244,031	6	188,586	7
General and administrative expenses	132,038	3	127,386	4
Research and development expenses	112,855	3	103,245	4
Expected credit impairment loss	(1,560)	-	1,244	-
<b>Total operating expenses</b>	<b>487,364</b>	<b>12</b>	<b>420,461</b>	<b>15</b>
Net other income (expenses) (Note 6(p, w))	934	-	2,078	-
Operating profit	314,590	8	60,968	2
Non-operating income and expenses(Note 6(x)):				
Other income	32,661	1	34,829	1
Other gains and losses	(29,096)	(1)	43,098	2
Finance costs	(14,255)	-	(12,266)	-
<b>Total Non-operating income and expenses</b>	<b>(10,690)</b>	<b>-</b>	<b>65,661</b>	<b>3</b>
Profit before income tax	303,900	8	126,629	5
Income tax expense (Note 6(r))	46,853	1	14,466	1
Profit	257,047	7	112,163	4
Other comprehensive income:				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurement of defined benefit obligation (Note 6(q))	(2,876)	-	(7,672)	-
Unrealized losses on investments in equity instruments at fair value through other comprehensive income (Note 6(s))	19,699	-	(21,734)	(1)
Less: Income tax related to items that will not be reclassified subsequently (Note 6(r))	-	-	-	-
	16,823	-	(29,406)	(1)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translation(Note 6(s))	(6,003)	-	337	-
Less: Income tax related to items that will be reclassified subsequently (Note 6(r))	-	-	-	-
	(6,003)	-	337	-
Other comprehensive income, net	10,820	-	(29,069)	(1)
Comprehensive income	<b>267,867</b>	<b>7</b>	<b>83,094</b>	<b>3</b>
Profit (loss) attributable to				
Shareholders of the parent	257,325	7	111,926	4
Non-controlling interests	(278)	-	237	-
Net Profit (loss)	<b>257,047</b>	<b>7</b>	<b>112,163</b>	<b>4</b>
Comprehensive income attributable to				
Shareholders of the parent	274,921	7	82,274	3
Non-controlling interests	(7,054)	-	820	-
Total comprehensive income	<b>\$ 267,867</b>	<b>7</b>	<b>\$ 83,094</b>	<b>3</b>
Earnings per share (Note 6(t))(expressed in New Taiwan dollars)				
Basic earnings per share	<b>\$ 1.73</b>		<b>\$ 0.71</b>	
Diluted earnings per share	<b>\$ 1.72</b>		<b>\$ 0.71</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in thousands of New Taiwan dollars)**

**Equity attributable to shareholders of parent**

	Capital stock					Other equity interest				Treasury stock	Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
	-Common stock	Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains(losses) on available-for-sale financial assets					
	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings								
<b>Balance at January 1, 2018</b>	\$ 1,834,076	23,873	40,391	123,710	161,563	(8,709)	-	(66,163)	(273,209)	1,835,532	82,030	1,917,562	
Effects of retrospective application	-	-	-	-	(8,314)	-	(79,429)	66,163	-	(21,580)	(14,820)	(36,400)	
Balance on 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	67,210	1,881,162	
Profit	-	-	-	-	111,926	-	-	-	-	111,926	237	112,163	
Other comprehensive income	-	-	-	-	(7,672)	438	(22,418)	-	-	(29,652)	583	(29,069)	
Total comprehensive income	-	-	-	-	104,254	438	(22,418)	-	-	82,274	820	83,094	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	5,431	-	(5,431)	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(68,349)	-	-	-	-	(68,349)	-	(68,349)	
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	-	-	-	-	-	(89,237)	(89,237)	-	(89,237)	
Retirement of treasury stock	(90,000)	763	-	-	-	-	-	-	89,237	-	-	-	
Cash dividends to subsidiaries	-	3,590	-	-	-	-	-	-	-	3,590	-	3,590	
Cash dividends distribution of subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,101)	(1,101)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,452	-	(2,452)	-	-	-	-	-	
<b>Balance at December 31, 2018</b>	<b>1,744,076</b>	<b>28,226</b>	<b>45,822</b>	<b>109,212</b>	<b>200,673</b>	<b>(8,271)</b>	<b>(104,299)</b>	<b>-</b>	<b>(273,209)</b>	<b>1,742,230</b>	<b>66,929</b>	<b>1,809,159</b>	
Profit	-	-	-	-	257,325	-	-	-	-	257,325	(278)	257,047	
Other comprehensive income	-	-	-	-	(2,876)	(5,840)	26,312	-	-	17,596	(6,776)	10,820	
Total comprehensive income	-	-	-	-	254,449	(5,840)	26,312	-	-	274,921	(7,054)	267,867	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	11,193	-	(11,193)	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(78,704)	-	-	-	-	(78,704)	-	(78,704)	
Special reserve	-	-	-	42,095	(42,095)	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	-	-	-	-	-	(50,738)	(50,738)	-	(50,738)	
Retirement of treasury stock	(120,000)	(28,226)	-	-	(2,700)	-	-	-	150,926	-	-	-	
Cash dividends to subsidiaries	-	4,397	-	-	-	-	-	-	-	4,397	-	4,397	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,514	-	(10,514)	-	-	-	-	-	
<b>Balance at December 31, 2019</b>	<b>\$ 1,624,076</b>	<b>4,397</b>	<b>57,015</b>	<b>151,307</b>	<b>330,944</b>	<b>(14,111)</b>	<b>(88,501)</b>	<b>-</b>	<b>(173,021)</b>	<b>1,892,106</b>	<b>59,875</b>	<b>1,951,981</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
(expressed in thousands of New Taiwan dollars)

	2019	2018
<b>Cash flows from (used in) operating activities</b>		
Profit before tax	\$ 303,900	126,629
<b>Adjustments :</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	83,955	66,363
Amortization expense	1,055	3,190
Expected credit impairment (gain) loss	(1,560)	1,244
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(4,809)	7,139
Interest expense	14,255	12,266
Interest income	(20,472)	(17,316)
Dividend income	(8,716)	(12,926)
Gain on disposal of property, plant, equipment	(568)	(4,152)
Unrealized foreign exchange loss (gain)	31,256	(5,410)
<b>Total adjustments to reconcile profit</b>	<u>94,396</u>	<u>50,398</u>
<b>Changes in operating assets and liabilities</b>		
Changes in operating assets:		
Accounts receivable	(77,928)	28,170
Other accounts receivable	4,957	779
Inventories	38,403	(58,698)
Other current assets	(5,599)	(9,924)
<b>Total net changes in operating assets</b>	<u>(40,167)</u>	<u>(39,673)</u>
Net changes in operating liabilities:		
Notes payable	(413)	(421)
Accounts payable	(19,702)	115,954
Other payables	44,049	37,634
Other current liabilities	9,712	(4,826)
Net defined benefit liability	(2,556)	(2,444)
Other non-current liabilities	936	-
<b>Total net change in operating liabilities</b>	<u>32,026</u>	<u>145,897</u>
<b>Total net change in operating assets and liabilities</b>	<u>(8,141)</u>	<u>106,224</u>
<b>Total adjustments</b>	<u>86,255</u>	<u>156,622</u>
<b>Cash inflow generated from (used in) operating activities</b>	390,155	283,251
Interest received	19,869	17,399
Dividends received	8,716	12,926
Interest paid	(13,376)	(11,457)
Income taxes paid	(9,245)	(12,164)
<b>Net cash flows from (used in) operating activities</b>	<u>396,119</u>	<u>289,955</u>
<b>Cash flows from (used in) investing activities:</b>		
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	121,298	22,405
Acquisition of financial assets at fair value through profit or loss	(95,030)	(58,780)
Proceeds from disposal of financial assets at fair value through profit or loss	173,198	189,195
Acquisition of property, plant and equipment	(37,320)	(118,670)
Proceeds from disposal of property, plant, equipment	568	4,214
Prepayments on long-term equity investment	-	(2,700)
Acquisition of intangible assets	(2,361)	(2,121)
Other financial assets	(22)	4,350
<b>Net cash flows from (used in) investing activities</b>	<u>160,331</u>	<u>(60,463)</u>
<b>Cash flows from (used in) financing activities:</b>		
Short-term loans	30,000	(187,000)
Repayments of long-term loans	(80,000)	-
Increase in guarantee deposits received	339	225
Cash dividends	(74,307)	(65,859)
Payments to acquire treasury stock	(50,738)	(89,237)
Repayment of lease liabilities	(12,826)	-
<b>Net cash flows from (used in) financing activities</b>	<u>(187,532)</u>	<u>(341,871)</u>
<b>Effects of changes in foreign exchange rates</b>	<u>(29,779)</u>	<u>(7,228)</u>

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
(expressed in thousands of New Taiwan dollars)

	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash and cash equivalents	339,139	(119,607)
Cash and cash equivalents at beginning of year	1,029,113	1,148,720
Cash and cash equivalents at end of year	<u>\$ 1,368,252</u>	<u>1,029,113</u>

See accompanying notes to consolidated financial statements.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

For the years ended December 31, 2019 and 2018

(All amounts expressed in thousands of New Taiwan dollars, unless otherwise specified)

#### (1) Organization and Business Scope

Emerging Display Technologies Corp.(the Company) and its subsidiaries was incorporated as a limited liability Group 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 Consolidated financial statements comprise Emerging Display Technologies Corp. and its subsidiaries (jointly referred to as the Group). The Group is engaged in the manufacture and sale of Capacity Touch Panel and liquid crystal displays (LCDs).

#### (2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2020.

#### (3) Application of New and Revised International Financial Reporting Standards and Interpretations

(a) The impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendment to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendment 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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

IFRS 16 "Leases"

IFRS 16 "Leases" 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".

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(k).

On transition to IFRS 16, the Group choose to apply the definition of a lease to all its contracts as to whether a contract is, or contains, a lease.

(ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases- on balance sheet.

The Group had chosen to apply the exemption of the short-term lease for the leased machines and equipment.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases :

- 1) Applied a single discount rate to a portfolio of leases with similar characteristics.
- 2) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- 3) Applied the exemption not to recognize the right-of-use assets and lease liabilities that ends within 12 months of the date of initial application.
- 4) Excluded the initial direct costs from measuring the right-of-use assets at the date of initial application.
- 5) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(iv) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$90,510 of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.8073%.

The amount of the operating lease commitments disclosed in the previous year prior to the initial application date and the amount of the lease liability recognized on the initial application date are adjusted as follows :

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 50,292
Extension and termination options reasonably certain to be exercised	80,223
	<b>\$ 130,515</b>
Lease liability recognized on January 1, 2019	<b>\$ 90,510</b>

**(b) The impact of IFRS endorsed by the 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, 2020 in accordance with Ruling No.1080323028 issued by the FSC on July 29, 2019 :

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform "	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The abovementioned new standards and amendments issued by the FSC will not have any material impact to the Group.

**(c) Newly released or amended standards and interpretations not yet endorsed by the FSC**

A summary of the new standards and amendments issued by the IASB but have yet to be endorsed by the FSC :

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (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 consolidated 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(k), the following accounting policies were applied consistently throughout the presented periods in the financial statements.

#### (a) Statement of compliance

These consolidated 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) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter, referred to as the IFRS endorsed by the FSC).

#### (b) Basis of preparation

##### (i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following significant items:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income 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 pension fund assets.

##### (ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

#### (c) Basis of consolidation

##### (i) Principle of preparation of the consolidated financial statements

The Group consolidated financial statements include the accounts of the Company and all directly owned subsidiaries of the Company. The investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those return through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group's control commences until the date that control ceases. Intergroup balances and transactions, and any unrealized income and expenses arising from intergroup

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

transactions are eliminated in preparing the consolidated financial statements. Subsidiaries contribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Financial statements of subsidiaries had been adjusted to use uniform accounting policies as the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

(ii) Subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of the subsidiary	Business Activity	Percentage ownership		Remarks
			December 31, 2019	December 31, 2018	
The Company	Emerging Display Technologies Corp., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	
The Company	EDT-Europe ApS	Customer service and business support	100.00%	100.00%	
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	
The Company	EDT-Japan Corp.	Customer service and business support	100.00%	100.00%	
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	

(iii) Subsidiaries which are not included in the consolidated financial statements: None.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (d) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated 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.

Exchange differences are generally recognized in profit or loss, except for the following accounts which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income ;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ; or
- 3) qualifying cash flow hedges to the extent the hedge are effective.

##### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to New Taiwan dollar at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to New Taiwan dollar at the average rate. Foreign currency differences are recognized in other comprehensive income.

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 Group disposes of any part of its interest in a subsidiary, association or joint venture that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

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

#### (e) 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) The asset is expected to be realized or is intended to be sold or consumed in the normal operating cycle;
- (ii) The asset is held primarily for the purpose of trading;
- (iii) The asset is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- (i) The liability is expected to be settled in the normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period;
- (iv) The entity 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 issuance of equity instruments do not affect its classification.

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations rather than for investment or other purposes should be recognized as cash equivalents.

#### (g) Financial instruments

Account receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

##### (i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost-equity investment; Fair value through other comprehensive income (FVOCI) - debt investment; FVOCI-equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### 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 amount and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. 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.

##### 2) Fair value through other comprehensive income (FVOCI)

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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 amount and interest on the principal amount outstanding.

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's 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 described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### 4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets ;
- how the performance of the portfolio is evaluated and reported to the Group's management ;

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed ;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, amount and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### 5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers that:

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

#### 6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on its financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, refundable deposits and other financial assets) and debt investment measured at fair value through other comprehensive income (FVOCI).

The Group 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 instruments that are determined to have low credit risk at the reporting date; and
- other debt instruments 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 accounts receivables and contract assets is always measured at an amount equal to lifetime ECL.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that results from default events that is 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including 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 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.

When the contract amount is past due or the borrower is unlikely to pay its credit obligations to the Group in full, the Group 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 the expected lifetime credit losses on financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the Group in accordance with the contracts and the cash flow the Group expects to receive). ECLs are discounted based on the effective rate of financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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 charge to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

#### 7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 3) Treasury stock

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stocks. When treasury stocks are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

##### 4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### 5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

##### 6) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights 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.

#### (iii) Derivative financial instruments

The Group to held derivative financial instruments is held to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

#### (h) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The cost of inventories includes all necessary costs of purchase, costs of conversion, and other costs in bringing the inventories to a salable and useable location and condition. The production overhead is allocated to the finished goods and work in progress based on the normal capacity of production facilities.

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses at the end of the period.

#### (i) Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, 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 at cost less accumulated depreciation and accumulated impairment loss.

Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

#### (j) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### (ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

##### (iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

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

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

Buildings	2~50	years
Machinery and equipment	2~10	years
Furniture and fixtures	3~5	years
Other equipment	1~10	years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(iv) Reclassification to investment property

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

**(k) Leases**

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether :

- 1) the contract involves the use of an identified asset-this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified ; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use ; and
- 3) the Group has the right to direct the use of the asset if either :
  - the Group has the right to direct the use of the identified asset when it has the decision-making rights that are most relevant to the changes on how and for what purpose the asset is used throughout the period.
  - the decision on how and for what purpose, the asset is used is predetermined :
    - the Group has the right to operate the asset and the providers do not have the right to vary ; or
    - the Group designed the asset in a way that predetermines how and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, at the time of lease of land and construction, the Group chooses to treat the lease component and the non-lease component as part of a single lease without distinguishing between non-lease components.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Lease payments included in the measurement of the lease liability comprise the following :

- 1) Fixed payments, including in-substance fixed payments ;
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date ;
- 3) Amounts expected to be payable under a residual value guarantee ; and
- 4) Payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when :

- 1) there is a change in future lease payments arising from the change in an index or rate ;
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee ;
- 3) there is a change in the assessment regarding the purchase options ;
- 4) there is a change of its assessment on whether it will exercise an extension or termination option ;
- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of there right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment as a separate line item respectively in the balance sheets.

For short-term lease of office equipment and low-value underlying asset lease, the Group chooses not to recognize the right-of-use asset and lease liability, and the related lease payments are recognized as expenses on a straight-line method over the lease term.

#### (iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) The Group as lessor

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. 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) The Group as lessee

Leases in which the Group 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.

**(I) Intangible assets**

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group include patents and computer software costs 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.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of intangible assets for the current and comparative periods is as follows:

Patents	9~20 years
Computer software cost	3 months~4 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if it's necessary.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

At each reporting date, the Group reviews the carrying amount of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (n) Provision

A provision is recognized if, as a result of a past event, the Group 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.

#### (o) Revenue

##### (i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group's main types of revenue are explained below.

##### 1) Sale of good

The Group recognizes revenue when control of the products has 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The Group provides standard warranties for goods sold and has obligation to replace or maintain for the defective goods, in which the Group has recognized provisions for

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

warranties to fulfill the obligation.

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

Contract liability is primarily generated from advanced receipts of commodity sales contract. The Group will recognize revenue when deliver commodity to customers.

#### 2) Financing components

The Group 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 Group does not adjust any of the transaction prices for the time value of money.

#### (ii) Contract cost with customers

##### 1) Incremental cost of obtaining a contract

If the Group is expected to receive the incremental cost of obtaining customer's contract, the cost should recognize as asset. Incremental costs are costs that would not have been incurred had that individual contract not been obtained. Any other costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless of whether the contract is obtained. As a practical expedient, incremental costs of obtaining a contract can be expensed if the amortization period would be one year or less.

##### 2) Costs to fulfil a contract

In accounting for costs to fulfil a contract, the Group must first assess whether the costs fall within the scope of another IFRS (e.g. IAS 2 Inventories, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets) and, if so, account for them in accordance with that standard. The Group can only recognize the cost as an asset only if they:

- Relate directly to a contract, or to an anticipated contract that can be specifically identified;
- Generate or enhance resources to be used to satisfy performance obligations in future; and
- Are expected to be recovered.

General and administrative costs that are not explicitly chargeable to the customer and the costs of wasted materials, labor and other resources that were not reflected in the price of the contract do not qualify. Costs relating to satisfied or partially satisfied performance obligations must be expensed.

#### (p) Employee benefits

##### (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### (iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

#### (iv) Short-term employee benefits

Short-term employee benefits 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 Consolidated Group 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.

#### (q) Share-based payment

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

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 at settlement date based on the fair value of the share appreciation rights. Any change in the liability is recognized in profit or loss.

#### (r) Income taxes

Income taxes comprise 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.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

- (i) The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) The same taxable entity; or
  - 2) Different taxable entities, but where each such entity 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 to realize the assets and settle the liabilities simultaneously.

A deferred tax asset shall be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. At the end of each reporting period, an entity reassesses unrecognized deferred tax assets; such reductions are reversed when the probability of future taxable profits improves.

#### (s) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to common equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the common shareholders of the Company divided by the weighted-average number of common stocks outstanding. The calculation of diluted earnings per share is based on the profit attributable to common shareholders of the Company, divided by the weighted-average number of common shares outstanding after adjustment for the effects of all dilutive potential common stock, such as convertible bonds.

#### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

other components of the Group. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

Management is required to constantly examine the fairness of those estimates and assumptions. The effect of change in accounting estimate shall be recognized prospectively by including it the profit or loss in the current period or future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is valuation of inventory. As inventory shall be measured based on the lower of cost or realizable value, if on the Consolidated Group's evaluation report date, the inventory has suffered normal wear and tear, is outdated or has no market value, the inventory cost shall be offset to net realizable value. The assessment of the inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes. For inventory valuation, please refer to Note 6(f).

#### (6) Explanation of Significant Accounts

##### (a) Cash and cash equivalents

	<u>2019.12.31</u>	<u>2018.12.31</u>
Cash and cash equivalents	\$ 366	268
Demand deposits	272,823	220,110
Check deposits	15	440
Time deposits	1,063,943	777,363
Repurchase agreement	<u>31,105</u>	<u>30,932</u>
Total	<u>\$ 1,368,252</u>	<u>1,029,113</u>

Please refer to Note 6(y) for the analysis of sensitivity and interest rate risk of the financial assets.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

Current financial assets mandatorily measured at fair value through profit or loss:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Open-end mutual funds	\$ 54,018	126,080
Swap contract	76	379
Total	<b>\$ 54,094</b>	<b>126,459</b>

Current financial liabilities measured at fair value through profit or loss :

	<b>2019.12.31</b>	<b>2018.12.31</b>
Swap contract	<b>\$ 994</b>	-

Please refer to Note 6(x) for the recognition of gain or loss at fair.

The abovementioned financial assets were not pledged as collateral.

The Group entered into derivative instruments to manage exposure to currency risk arising from operating activities and doesn't applicable to hedge accounting. The Group's derivative instruments were as follows presented under financial assets mandatorily measured at FVTPL and financial liabilities measured at FVTPL; presented under financial assets held for trading :

	<b>2019.12.31</b>		
	<b>Contract amount</b>	<b>Currency</b>	<b>Maturity period</b>
	<b>(Thousand Dollar)</b>		
Swap contract	USD 5,000	TWD to USD	2020.01.17~2020.03.31
	<b>2018.12.31</b>		
	<b>Contract amount</b>	<b>Currency</b>	<b>Maturity period</b>
	<b>(Thousand Dollar)</b>		
Swap contract	USD 3,000	TWD to USD	2019.01.22~2019.03.04

Please refer to Note 6(y) for credit risk and market risk.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

	2019.12.31	2018.12.31
Equity instruments at fair value through other comprehensive income-current:		
Common stocks listed on domestic markets		
-current:		
Innolux Corp.	\$ 9,555	11,150
Fubon Financial Holding Co., Ltd	13,920	14,115
E.SUN Financial Holding Co., Ltd.	-	29,864
Radiant Opto Electronics Corp.	-	21,125
Taiwan Cement Corp., Ltd.	-	11,748
Synnex Technology International Co. , Ltd.	17,175	16,671
King Yuan Electronics Co., Ltd.	-	24,854
Nan Ya Plastics Corporation	15,288	15,855
Pegatron Co., Ltd.	14,775	11,102
Mega Financial Holding Co., Ltd	-	14,403
CoAsia Electronics Corp.	5,055	4,265
Shian Yih Electronic Co., Ltd.	33,064	28,059
AGV Products Corporation	722	695
Total	<b>\$ 109,554</b>	<b>203,906</b>
Equity instruments at fair value through other comprehensive income-noncurrent:		
Common stocks unlisted on domestic markets – non-current:		
Ascendax Venture Capital Corp.	\$ 15,832	11,388
Chenfeng Optronics Corp.	124,040	140,280
Total	139,872	151,668
Preference stocks listed on domestic markets-non-current :		
Fubon Financial Holding Co., Ltd	890	858
Total	<b>\$ 140,762</b>	<b>152,526</b>

The purpose that the Group invests in the abovementioned equity instruments is for long term strategies, but rather for trading purpose, and therefore, is accounted for as FVOCI.

For the years ended December 31, 2019 and 2018, the Group has recognized the dividend income of \$8,716 and \$12,926 from equity instruments designated at fair value through other comprehensive income, respectively,

For the years ended December 31, 2019 and 2018, the Group with the objective of investment and financial management had sold financial assets at fair value of \$128,516 and \$22,496, and accumulated gain on disposal of investments were \$10,514 and \$2,452, which had been reclassified from other equity interest to retained earnings, respectively.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Please refer to Note 6(y) for market risk.

The abovementioned financial assets were not pledged as collateral.

For the purpose of increasing investment profits, the Group entrusts partial listed companies as the beneficiary. According to the terms of the contract, the Group does not transfer risk and remuneration of these financial assets, and they had not been derecognized. As of December 31, 2019, and 2018, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$9,555 and \$32,275, respectively.

#### (d) Accounts receivable

	<u>2019.12.31</u>	<u>2018.12.31</u>
Accounts receivables-measured at amortized cost	\$ 556,362	489,171
Allowance for impairment	<u>(18,771)</u>	<u>(20,327)</u>
	<u><b>\$ 537,591</b></u>	<u><b>468,844</b></u>

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on past default experience of the customers and shared credit risk characteristics, as well as incorporate forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows :

	<u>2019.12.31</u>		
	<u>Carrying amount of Accounts Receivable</u>	<u>Weighted-average expected credit loss rate</u>	<u>Loss allowance for lifetime expected credit losses</u>
Not over due	\$ 392,384	-	-
Overdue less than 90 days	144,425	-	-
Overdue 91~180 days	782	-	-
Overdue 181~270 days	-	-	-
Overdue 271~365 days	-	-	-
Overdue over 365 days	<u>18,771</u>	100.00%	<u>18,771</u>
	<u><b>\$ 556,362</b></u>		<u><b>18,771</b></u>

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Notes to consolidated financial statements**

	<b>2018.12.31</b>		
	<b>Carrying amount of Accounts Receivable</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not over due	\$ 359,833	-	-
Overdue less than 90 days	106,282	0.51%	545
Overdue 91~180 days	3,285	0.33%	11
Overdue 181~270 days	77	100.00%	77
Overdue 271~365 days	-	-	-
Overdue over 365 days	<u>19,694</u>	100.00%	<u>19,694</u>
	<b><u>\$ 489,171</u></b>		<b><u>20,327</u></b>

The movement in the provision for impairment loss with respect to trade receivables was as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 20,327	22,644
Recognition (reversal) of impairment loss	(1,560)	1,244
Effect of changes in foreign currency exchange rates	4	12
Written off unrecoverable amount	<u>-</u>	<u>(3,573)</u>
Ending balance	<b><u>\$ 18,771</u></b>	<b><u>20,327</u></b>

The abovementioned financial assets were not pledged as collateral.

Please refer to Note 6(y) for credit risk.

**(e) Other receivables**

	<b>2019.12.31</b>	<b>2018.12.31</b>
Loans to employee	\$ 8,834	14,415
Receivable resulting from selling equity investments at fair value through other comprehensive income	7,218	-
Others	2,632	1,425
Allowance for impairment	<u>-</u>	<u>-</u>
	<b><u>\$ 18,684</u></b>	<b><u>15,840</u></b>

Please refer to Note 6(y) for credit risk.

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**Notes to consolidated financial statements**

**(f) Inventories**

	<u>2019.12.31</u>	<u>2018.12.31</u>
Raw materials and supplies	\$ 246,804	276,384
Work in process	293,737	284,561
Finished goods	251,522	273,436
Inventories in transit	<u>10,972</u>	<u>10,157</u>
Total	<u><b>\$ 803,035</b></u>	<u><b>844,538</b></u>

The details of cost of sales are as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Reclassification to cost of sales and expenses	\$ 3,201,298	2,250,198
Inventory loss of write-down (gain on reversal of inventory)	(3,905)	(15,139)
Unamortized manufacturing expenses	18,253	25,934
Loss on scrap	91,260	78,727
Others	<u>(367)</u>	<u>(336)</u>
Total	<u><b>\$ 3,306,539</b></u>	<u><b>2,339,384</b></u>

The above gain from price recovery of inventory was due to, the previous write-down inventories had been sold, therefore, the net realizable value of inventories lowered than cost was no longer existed, the reversal was recorded as operating costs.

Inventories were not pledged as collaterals.

**(g) Other current assets:**

The details of other current assets are as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Prepayment for purchases	\$ 39,259	30,987
Prepaid expense	5,374	6,110
Prepaid sales tax	6,438	11,458
Restricted time deposits	2,096	2,102
Refundable deposits	7,080	7,234
Prepaid investment	-	2,700
Others	<u>6,776</u>	<u>5,180</u>
	<u><b>\$ 67,023</b></u>	<u><b>65,771</b></u>
Book as :		
Other current assets	\$ 59,389	55,271
Other financial assets – non-current	<u>7,634</u>	<u>10,500</u>
	<u><b>\$ 67,023</b></u>	<u><b>65,771</b></u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The abovementioned other financial assets pledged were restricted time deposits and refundable deposits as collateral for loans were disclosed in Note 8.

#### (h) Major non-controlling interests' share of subsidiaries

Significant to the Group of the non-controlling interest subsidiaries are as follows:

Name of subsidiaries	Principal place of business	Proportion of non-controlling interest voting equity	
		2019.12.31	2018.12.31
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%

Summarize above subsidiaries financial information as below which had prepared based on International Financial Reporting Standards endorsed by FSC. The below financial information was prior to the offset amount with the Group.

Summarized financial information for Ying Cheng Investment Corp. is as follows:

	2019.12.31	2018.12.31
Current asset	\$ 10,102	10,206
Non-current asset	106,320	120,240
Current liability	(50)	(50)
Net asset	<b>\$ 116,372</b>	<b>130,396</b>
Non-controlling equity closing book amount	<b>\$ 55,277</b>	<b>61,939</b>

	For the years ended December 31	
	2019	2018
Operating revenue	<b>\$ 5</b>	<b>6</b>
Net profit(loss)	\$ (104)	(108)
Other comprehensive income	(13,920)	1,440
Comprehensive income	<b>\$ (14,024)</b>	<b>1,332</b>
Profit attributable to non-controlling interest	<b>\$ (49)</b>	<b>(51)</b>
Comprehensive income attributable to non-controlling interest	<b>\$ (6,662)</b>	<b>633</b>

	For the years ended December 31	
	2019	2018
Cash flow from operating activities	\$ (104)	(239)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	(2,317)
Net increase(decrease) in cash and cash equivalents	<b>\$ (104)</b>	<b>(2,556)</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Summarized financial information for Emerging Display International (Samoa) Corp. is as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Current asset	\$ 149,362	133,725
Non-current asset	22,731	13,225
Current liability	(61,550)	(28,132)
Non-current liabilities	(1,068)	-
Net asset	<b>\$ 109,475</b>	<b>118,818</b>
Non-controlling equity closing book amount	<b>\$ 4,598</b>	<b>4,990</b>

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenue	<b>\$ 210,727</b>	<b>278,749</b>
Net profit(loss)	\$ (5,447)	6,872
Other comprehensive income	(3,896)	(2,426)
Comprehensive income	<b>\$ (9,343)</b>	<b>4,446</b>
Profit attributable to non-controlling interest	<b>\$ (229)</b>	<b>288</b>
Comprehensive income attributable to non-controlling interest	<b>\$ (392)</b>	<b>187</b>

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash flow from operating activities	\$ 16,337	6,947
Cash flow from investing activities	(5,467)	(1,832)
Cash flow from financing activities	(6,019)	-
Effects of changes in foreign exchange rates	(427)	(131)
Net increase(decrease) in cash and cash equivalents	<b>\$ 4,424</b>	<b>4,984</b>

**(i) Property, plant and equipment**

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

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Other</b>	<b>Total</b>
<b>Cost or deemed cost:</b>						
Balance at January 1, 2019	\$ 74,709	1,026,177	2,398,090	28,164	148,931	3,676,071
Additions	-	5,896	4,185	678	30,039	40,798
Reclassification to investment property	(50,323)	(16,258)	-	-	-	(66,581)
Reclassification	-	33,653	9,017	-	(42,670)	-
Disposals	-	-	(19,561)	(242)	(2,575)	(22,378)
Effect of movements in exchange rates	815	(1,918)	(7,534)	(269)	(249)	(9,155)
Balance at December 31, 2019	<b>\$ 25,201</b>	<b>1,047,550</b>	<b>2,384,197</b>	<b>28,331</b>	<b>133,476</b>	<b>3,618,755</b>
Balance at January 1, 2018	\$ 47,370	993,922	2,570,386	31,291	98,296	3,741,265
Additions	25,343	19,698	5,944	392	77,014	128,391

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

Notes to consolidated financial statements

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Total</u>
Reclassification	-	14,410	7,479	-	(21,889)	-
Disposals	-	(1,742)	(181,205)	(3,605)	(4,363)	(190,915)
Effect of movements in exchange rates	<u>1,996</u>	<u>(111)</u>	<u>(4,514)</u>	<u>86</u>	<u>(127)</u>	<u>(2,670)</u>
Balance at December 31, 2018	<u><b>\$ 74,709</b></u>	<u><b>1,026,177</b></u>	<u><b>2,398,090</b></u>	<u><b>28,164</b></u>	<u><b>148,931</b></u>	<u><b>3,676,071</b></u>
<b>Depreciation:</b>						
Balance at January 1, 2019	\$ -	790,562	2,332,102	26,642	70,927	3,220,233
Depreciation	-	16,617	25,411	772	26,869	69,669
Reclassification to investment property	-	(5,419)	-	-	-	(5,419)
Disposals	-	-	(19,561)	(242)	(2,575)	(22,378)
Effect of movements in exchange rates	<u>-</u>	<u>(1,624)</u>	<u>(7,268)</u>	<u>(245)</u>	<u>(168)</u>	<u>(9,305)</u>
Balance at December 31, 2019	<u><b>\$ -</b></u>	<u><b>800,136</b></u>	<u><b>2,330,684</b></u>	<u><b>26,927</b></u>	<u><b>95,053</b></u>	<u><b>3,252,800</b></u>
Balance at January 1, 2018	\$ -	766,947	2,486,900	29,346	66,661	3,349,854
Depreciation	-	14,656	30,777	828	20,102	66,363
Reclassification	-	11,390	-	-	(11,390)	-
Disposals	-	(1,742)	(181,143)	(3,605)	(4,363)	(190,853)
Effect of movements in exchange rates	<u>-</u>	<u>(689)</u>	<u>(4,432)</u>	<u>73</u>	<u>(83)</u>	<u>(5,131)</u>
Balance at December 31, 2018	<u><b>\$ -</b></u>	<u><b>790,562</b></u>	<u><b>2,332,102</b></u>	<u><b>26,642</b></u>	<u><b>70,927</b></u>	<u><b>3,220,233</b></u>
<b>Carrying amount:</b>						
Balance at December 31, 2019	<u><b>\$ 25,201</b></u>	<u><b>247,414</b></u>	<u><b>53,513</b></u>	<u><b>1,404</b></u>	<u><b>38,423</b></u>	<u><b>365,955</b></u>
Balance at January 1, 2018	<u><b>\$ 47,370</b></u>	<u><b>226,975</b></u>	<u><b>83,486</b></u>	<u><b>1,945</b></u>	<u><b>31,635</b></u>	<u><b>391,411</b></u>
Balance at December 31, 2018	<u><b>\$ 74,709</b></u>	<u><b>235,615</b></u>	<u><b>65,988</b></u>	<u><b>1,522</b></u>	<u><b>78,004</b></u>	<u><b>455,838</b></u>

- i. Please refer to Note 6(x) for detail of disposal gain and loss.
- ii. Reclassification to investment property

The Group signed lease contract in August 2019, and the term of the lease start from October 2019. Reclassified to investment property per its book value at the time of change of use. Please refer to Note 6(k).

- iii. Property, plant and equipment pledged as collateral for long-term loans and finance were disclosed in Note 8.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

Notes to consolidated financial statements

**(j) Right-of-use assets**

The movements in the cost and depreciation of the leased land, buildings, transportation equipment were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Right-of-use assets cost:</b>				
Balance at January 1, 2019	\$ 67,226	23,065	219	90,510
Additions	-	1,589	-	1,589
Effect of changes in foreign exchange rates	-	(1,145)	(5)	(1,150)
Balance at December 31, 2019	<u>\$ 67,226</u>	<u>23,509</u>	<u>214</u>	<u>90,949</u>
<b>Depreciation:</b>				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	2,757	11,227	132	14,116
Effect of changes in foreign exchange rates	-	(370)	(4)	(374)
Balance at December 31, 2019	<u>\$ 2,757</u>	<u>10,857</u>	<u>128</u>	<u>13,742</u>
<b>Carrying amount:</b>				
Balance at December 31, 2019	<u>\$ 64,469</u>	<u>12,652</u>	<u>86</u>	<u>77,207</u>
Balance at January 1, 2019	<u>\$ 67,226</u>	<u>23,065</u>	<u>219</u>	<u>90,510</u>

The Group leases offices and warehouses, and factory equipment, under operating leases, for the years ended December 31, 2018; please refer to Note 6(p).

**(k) Investment property**

Investment property includes assets owned by the Group and operating leasing such as office buildings leased to third party. Based on original lease terms of investment property, non-cancellable lease term is four years and the lessee has the right to upon expiry. Subsequent lease term will consult with the lessee and didn't charge contingent rental. Please refer to Note 6(w) for information of the rental income.

Rental income of leased investment property has a fixed amount.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

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Investment property cost and depreciation of the Group were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance at January 1, 2019	\$ -	-	-
Reclassification from property, plant and equipment	50,323	16,258	66,581
Effect of changes in foreign exchange rates	<u>(2,603)</u>	<u>(840)</u>	<u>(3,443)</u>
Balance at December 31, 2019	<u><u>\$ 47,720</u></u>	<u><u>15,418</u></u>	<u><u>63,138</u></u>
<b>Depreciation:</b>			
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	-	170	170
Reclassification from property, plant and equipment	-	5,419	5,419
Effect of changes in foreign exchange rates	<u>-</u>	<u>(285)</u>	<u>(285)</u>
Balance at December 31, 2019	<u><u>\$ -</u></u>	<u><u>5,304</u></u>	<u><u>5,304</u></u>
<b>Carrying amount:</b>			
Balance at January 1, 2019	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Balance at December 31, 2019	<u><u>\$ 47,720</u></u>	<u><u>10,114</u></u>	<u><u>57,834</u></u>
<b>Fair value:</b>			
Balance at December 31, 2019			<u><u>\$ 66,945</u></u>

The lease contract of investment property was signed by the Group in August 2019. The original office building of the USA subsidiary was leased to a third party from October 2019, and reclassified from property, plant and equipment to investment property, please refer to Note 6(i).

When measuring the fair value of investment property, the Group 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. As of December 31, 2019, the yields applied to the net annual rentals to determine the fair value of investment property were 5.5%, its fair value evaluation technology makes the input value belong level 3.

As of December 31, 2019, the investment property was not pledged as collateral.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

Notes to consolidated financial statements

(I) **Intangible assets**

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

	<u>Patent and other</u>	<u>Computer software cost</u>	<u>Total amount</u>
<b>Initial cost:</b>			
Balance as of January 1, 2019	\$ 4,141	5,819	9,960
Individual acquisition	139	2,222	2,361
Disposals	(723)	-	(723)
Effects of changes in foreign exchange rates	-	(23)	(23)
Balance as of December 31, 2019	<u>\$ 3,557</u>	<u>8,018</u>	<u>11,575</u>
Balance as of January 1, 2018	\$ 3,899	4,315	8,214
Individual acquisition	279	1,842	2,121
Disposals	(37)	(358)	(395)
Effects of changes in foreign exchange rates	-	20	20
Balance as of December 31, 2018	<u>\$ 4,141</u>	<u>5,819</u>	<u>9,960</u>
<b>Amortization:</b>			
Accumulated balance as of January 1, 2019	\$ 2,438	5,051	7,489
Amortization	422	633	1,055
Disposals	(723)	-	(723)
Effects of changes in foreign exchange rates	-	(23)	(23)
Accumulated balance as of December 31, 2019	<u>\$ 2,137</u>	<u>5,661</u>	<u>7,798</u>
Accumulated balance as of January 1, 2018	\$ 1,897	2,777	4,674
Amortization	578	2,612	3,190
Disposals	(37)	(358)	(395)
Effects of changes in foreign exchange rates	-	20	20
Accumulated balance as of December 31, 2018	<u>\$ 2,438</u>	<u>5,051</u>	<u>7,489</u>
<b>Book value:</b>			
Balance as of December 31, 2019	<u>\$ 1,420</u>	<u>2,357</u>	<u>3,777</u>
Balance as of January 1, 2018	<u>\$ 2,002</u>	<u>1,538</u>	<u>3,540</u>
Balance as of December 31, 2018	<u>\$ 1,703</u>	<u>768</u>	<u>2,471</u>

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

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating cost	\$ 562	792
Operating expense	493	2,398
	<u>\$ 1,055</u>	<u>3,190</u>

Intangible assets were not pledged as collateral.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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#### (m) Short-term loans

The details of short-term loans were as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Unsecured bank loans	<b>\$ 400,000</b>	<b>370,000</b>
Unused lines of credit	<b>\$ 1,272,106</b>	<b>1,315,911</b>
Range of interest rates	<b>0.95%~1.04%</b>	<b>0.95%~1.05%</b>

Please refer to Note 8 for assets pledged as collateral for short-term loans.

As of December 31, 2019 and 2018, The Group's acceptance credit for purchases of raw materials amounted to \$1,659 and \$6,374, respectively.

Please refer to Note 6(y) for the interest rate risk, currency risk and sensitivity analysis of the financial liabilities of the Group.

#### (n) Long-term loans

The details of long-term loans were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Secured bank loans	\$ 320,000	400,000
Less: discount on long-term loans	(445)	(1,112)
Total	<b>\$ 319,555</b>	<b>398,888</b>
Recognized in:		
Long-term loans, current portion	\$ 319,555	-
Long-term loans	-	398,888
	<b>\$ 319,555</b>	<b>398,888</b>
Unused long-term credit lines	<b>\$ 320,000</b>	<b>400,000</b>
Range of interest rates	<b>1.8085%</b>	<b>1.8019%</b>

On November 17, 2016, the Group entered into a syndicated loan agreement with eight banks led by Tai Shin Bank for the period from the date of first borrowing to the three-year term with cycle use lines of credit. The credit line will decrease 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 Group will repay the total borrowing upon maturity. The Group borrowed \$400,000 thousand at August 15, 2017. Restrictions related to the contract are as follows:

During the term of this loan, The Group promises that the annual consolidated financial report should maintain the following financial ratios. If the following requirements are not met, the Group should adjust them within nine months after the end of the fiscal year. If the adjusted financial ratios verified by a certified public accountant agree with the requirements, it would not be regarded as a breach of the agreement. During the adjustment period, the unused credit line shall be suspended until the concerned financial ratios are met. However, the renewing of concerned revolving credit line is not the case, therefore, from the next interest payment date after the management bank

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

notifies the non-compliance with the required financial ratios to the next interest payment date after the concerned financial ratios are adjusted to meet the requirements, the lending interest rate of each loan in this agreement should be increased by 0.125%. After the majority of concerned banks resolve to grant the exemption requested by the Group, the aforementioned interest rate increase would be waived.

- (i) Debt ratio (debt / net worth) remains below 150% (inclusive).
- (ii) Current ratio (current assets / current liabilities) remains above 100%.
- (iii) Interest coverage ratio ((pre-tax income + interest expense + depreciation + amortization) / interest expense) maintains 2.5 times (inclusive) or more.
- (iv) Minimum tangible net worth (net worth-intangible assets) remains above TWD 1,600,000 (inclusive).

For working capital management purpose, the Group repaid \$80,000 in November 2019, which is earlier than the maturity date.

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

#### (o) Lease liabilities

The details of lease liabilities were as follows :

	<u>2019.12.31</u>
Current	<u>\$ 11,907</u>
Non-Current	<u>\$ 66,575</u>

For maturity analysis, please refer to Note 6 (y) Financial Instruments.

The amounts recognized in profit or loss were as follows :

	<u>For the years ended December 31,2019</u>
Interest on lease liabilities	<u>\$ 3,177</u>
Expenses relating to short-term leases	<u>\$ 1,267</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 284</u>

The amounts recognized in the statement of cash flows for the Group were as follow :

	<u>For the years ended December 31,2019</u>
Total cash outflow for leases	<u>\$ 17,716</u>

#### (i) Lease of land, building and construction

As of December 31, 2019, the Group leases land and buildings for its office use. The leases of land and buildings run for approximately 2 to 10 years, and the lease period of office premises is usually 2 to 3 years. Part of the lease includes an option to extend the same period of the original contract at the end of the lease term.

Lease payments for certain contracts are subject to changes in the local price index, which usually occur once a year.

The lease agreements for some of the equipment include the option to extend the lease or terminate the lease, which are managed separately by each region, and therefore the individual terms and conditions agreed upon are different within the Group. These options are only for the

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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Group to have enforceable rights and the lessor does not have this right. In the event that it is not possible to reasonably determined the period of the extended lease that will be exercisable, the related payments over the period covered by the option are not included in the lease liability.

(ii) Other leases

The lease period for the Group leased transportation equipment is one to two years.

The Group supervises the use of such transportation equipment and re-measures the lease liability and right-of-use assets on the reporting date.

In addition, the lease term of the Group leased machinery and equipment is one to three years. These leases are short-term or low-value leases. The Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and lease liabilities.

The Group leased the production and sales offices and offices with operating leases on December 31, 2018. Please refer to Note 6(p).

(p) Operating lease

(i) The Group as lessee

Non-cancellable operating lease rentals that were payable as of December 31, 2018 were as follows:

	<u>Amount</u>
Less than one year	\$ 15,678
Between one and five years	25,265
Over five years	<u>9,349</u>
	<u><u>\$ 50,292</u></u>

The Group leases land, several offices, warehouses and factory facilities under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date. Lease payments are adjusted periodically to reflect market rentals.

The rental expense of operating leases was \$16,047 for the years ended 2018, and was included in profit or loss.

(ii) The Group as lesser

The Group rent its investment property. Since almost all the risks associated with the ownership of the underlying assets are not transferred, this lease contract was classified as an operating lease. The maturity analysis of lease payments was the total undiscounted lease payments to be received in the future disclosed as of December 31, 2019, as below :

	<u>2019.12.31</u>
Less than one year	\$ 3,746
Between one and two years	3,888
Between two and four years	<u>7,022</u>
Undiscounted total lease payments	<u><u>\$ 14,656</u></u>

For the years ended December 31, 2019, the investment property rental income recognized in other income amounting to \$934. No significant maintenance and repair costs for investment

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

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property.

**(q) Employee benefits**

(i) Defined benefit plan

The defined benefit obligation was as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Present value of defined benefit obligations	\$ 202,792	193,445
Fair value of plan assets	<u>(114,246)</u>	<u>(105,219)</u>
Net liabilities of defined benefit obligations	<u>\$ 88,546</u>	<u>88,226</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plan (covered by the Labor Standards Law) entitles a retired employee to receive a lump-sum payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group set aside pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Group's labor pension reserve account balance in Bank of Taiwan amounted to \$114,246 as of December 31, 2019. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

Changes in present value of the defined benefit obligation were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 193,445	182,027
Current service and interest cost	3,197	3,538
Remeasurement of the net defined benefit liability		
— Actuarial loss (gain) on financial assumptions change	194	7,720
— Experience	5,956	2,270
Employee benefits paid	<u>-</u>	<u>(2,110)</u>
Balance at December 31	<u>\$ 202,792</u>	<u>193,445</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

- 2) Changes in present value of plan assets were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 105,219	99,030
Plan expected return	1,474	1,642
Remeasurement of net defined benefit liability (assets)		
– Return on plan assets (excluding current interest cost)	3,273	2,318
Contributions made by employer	4,280	4,339
Employee benefit paid	-	(2,110)
Balance at December 31	<b>\$ 114,246</b>	<b>105,219</b>

- 3) Cost recognized in profit or loss

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current service cost	\$ 540	583
Interest cost on net defined benefit liability (asset)	1,183	1,313
	<b>\$ 1,723</b>	<b>1,896</b>
Operating cost	\$ 1,317	1,464
Selling expenses	60	65
General and administrative expenses	193	204
Research and development expenses	153	163
	<b>\$ 1,723</b>	<b>1,896</b>
Actual return on assets	<b>\$ 4,747</b>	<b>3,960</b>

- 4) Remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income

The remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income was as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cumulative amount at January 1	\$ (39,724)	(32,052)
Recognized during the period	(2,876)	(7,672)
Cumulative amount at December 31	<b>\$ (42,600)</b>	<b>(39,724)</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Discount rate at December 31	1.125%	1.375%
Future salary increases	2.50%	2.750%

The expected amount of contributions for the following year after the reporting date is \$4,168. The weighted-average duration of the defined benefit obligation is 18.04 years.

6) Sensitivity analysis

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

	<b>Present value of defined benefit obligation</b>	
	<b>Increased</b>	<b>Decreased</b>
December 31, 2019		
Discount rate (change of 0.25%)	(7,679)	8,047
Change in future salary (change of 0.25%)	7,827	(7,488)
December 31, 2018		
Discount rate (change of 0.25%)	(7,721)	8,102
Change in future salary (change of 0.25%)	7,863	(7,551)

The above sensitivity analysis analyzing the effects of changes in single assumptions is based on other assumptions remaining unchanged. In actuality, changes in some assumptions may be linked together. The sensitivity analysis and calculation of the net pension liability on the balance sheet were performed using the same approach.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plan

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

The pension benefit of Dong Guan Emerging Display Limited, Emerging Display Technologies Corp., U.S.A., EDT-Europe Aps, Emerging Display Korea and EDT-Japan Corp. are based on their respective local regulation of defined contribution plan. The accrued expenses should be recognized as current expenses. Besides, Ying Dar Investment Development Corp., Bae Haw Investment Development Corp., Ying Cheng Investment Corp., Emerging Display International (Samoa) Corp. and Tremendous Explore Corp do not have any employee and pension plan. Therefore, there is no pension benefit obligation required.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Details of the Group's pension costs under the defined contribution method were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating Cost	\$ 23,287	22,538
Selling expenses	5,191	5,229
General and administrative expenses	2,151	2,072
Research and development expenses	2,615	2,334
	<b>\$ 33,244</b>	<b>32,173</b>

**(r) Income tax**

(i) The amounts of income tax expense (benefit) were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax expense		
Current	\$ 56,712	12,683
Adjust previous current tax	(4,056)	(3,708)
	52,656	8,975
Deferred tax expense		
Origination and reversal of temporary differences	(6,853)	8,493
Change in tax rate	-	(5,725)
Change in unrecognized deductible temporary differences	1,050	2,723
	(5,803)	5,491
Income tax expense	<b>\$ 46,853</b>	<b>14,466</b>

No income tax was recognized directly in equity and other comprehensive income.

Reconciliation of income tax and profit before tax is as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Income before income tax	<b>\$ 303,900</b>	<b>126,629</b>
Income tax calculated based on the Group's tax rate	\$ 60,780	25,325
Effect of overseas income tax differences	(2,054)	895
Adjustment in tax rate	-	(5,725)
Tax-exempt income for dividend income	(1,715)	(3,303)
Tax-exempt income for gains derived from the securities transactions	27	-

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Change in unrecognized temporary differences	1,050	2,723
Investment tax credits	(7,650)	(2,800)
Adjustment for prior periods	(4,056)	(3,708)
Others	471	1,059
<b>Total</b>	<b>\$ 46,853</b>	<b>14,466</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<b>2019.12.31</b>	<b>2018.12.31</b>
Pension expense	\$ 77,500	76,010
Temporary variances related to invest subsidiaries	155,198	163,763
	<b>\$ 232,698</b>	<b>239,773</b>

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 Group 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:

	<b>Unrealized exchange gain</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2019</b>	\$ 856	76	932
Recognized in profit or loss	(856)	(76)	(932)
<b>Balance at December 31, 2019</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
<b>Balance at January 1, 2018</b>	\$ -	-	-
Recognized in profit or loss	856	76	932
<b>Balance at December 31, 2018</b>	<b>\$ 856</b>	<b>76</b>	<b>932</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Deferred tax assets:

	Inventory valuation loss	Unrealized sales profit	Unrealized foreign exchange loss	Others	Total
<b>Balance at January 1, 2019</b>	\$ 11,804	1,937	-	14,391	28,132
Recognized in profit or loss	\$ (758)	776	6,076	(1,223)	4,871
<b>Balance at December 31, 2019</b>	<b>\$ 11,046</b>	<b>2,713</b>	<b>6,076</b>	<b>13,168</b>	<b>33,003</b>
<b>Balance at January 1, 2018</b>	\$ 12,845	2,099	5,270	12,477	32,691
Recognized in profit or loss	\$ (1,041)	(162)	(5,270)	1,914	(4,559)
<b>Balance at December 31, 2018</b>	<b>\$ 11,804</b>	<b>1,937</b>	<b>-</b>	<b>14,391</b>	<b>28,132</b>

(iii) Approval of income tax

The Company's income tax returns for all fiscal years up to 2017 have been examined and approved by the R.O.C. tax authority.

(s) **Share capital and other equities**

(i) Common stock

As of December 31, 2019, and 2018, the authorized share capital of the Company amounted to \$3,500,000, comprising 350,000 thousand shares with a par value of TWD10 per share.

Issued shares are as follows:

(Expressed in thousands of shares)

	<b>Common Stock</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	174,408	183,408
Retirement of treasury stock	(12,000)	(9,000)
Balance at December 31	<b>162,408</b>	<b>174,408</b>

As of December 31, 2019, and 2018, excluding shares of treasury stock that had been purchased by the Company and shares of stock held by the subsidiaries, outstanding shares of stock are 148,613 thousand shares and 153,613 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Treasury stock	<b>\$ 4,397</b>	<b>28,226</b>

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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 earnings

Base on the regulations of our Company, if the Company’s annual final accounts show surplus, it shall first pay the taxes, offset past annual loss, and then set 10% as regulatory surplus reserve. However, it is not applicable if the statutory surplus reserve has reached our Company’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be made for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period, on not more than 80% of the year’s distributable surplus, and submit to the shareholders meeting for approval.

The Company’s industry is in a stable growth phase. It has adopted a residual dividend policy based on its future capital budget plan and operating capital needs. The Company also takes the effects of dilutive potential shares and the effect on ROE into consideration in calculating EPS. Therefore, the distribution policy gives priority to cash dividends and then stock dividends. However, the cash dividend distribution should not be lower than 50 percent of the total dividend distribution of the current year.

#### 1) Legal reserve

According to the ROC Company Act, when a Company incurs no loss, it may, pursuant to a resolution approved by the shareholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

#### 2) Special reserve

In accordance the Ruling NO.1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholder’s equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder’s equity were for additional distributions. As of December 31, 2019, and 2018 the special reserve \$112,571 and \$74,873, have been approved by the annual shareholders’ meeting, respectively.

In accordance with Ruling No. 1010047490 issued by the Financial Supervisory Commission 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, 2019, and 2018, the special reserve \$38,736 and \$34,339 have been approved by the annual shareholders’ meeting, respectively.

#### 3) Earnings distribution

The appropriation from the retained earnings of 2018 and 2017, have been approved by the annual shareholders meeting on June 4, 2019 and June 12, 2018. The appropriation and

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

dividend per share were as follows:

	For the years ended December 31	
	2018	2017
Dividends distributed to common shareholders (New Taiwan Dollar):		
Cash	\$ 0.5	0.40827680 (Note)

Note: The Company's shareholders meeting resolved to pay dividends NTD 0.4 per share but adjusted to NTD 0.40827680 per share due to treasury stock affected outstanding shares

#### (iv) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on financial assets measured at FVOCI	Unrealized gains (losses) on available-for- sale financial assets	Total
Balance at January 1, 2019 after adjustments	\$ (8,271)	(104,299)	-	(112,570)
— Changes of the Group	(5,840)	26,312	-	20,472
— Disposal of investments in equity instrument designated at FVOCI	-	(10,514)	-	(10,514)
Balance at December 31, 2019	\$ (14,111)	(88,501)	-	(102,612)
Balance at January 1, 2018	\$ (8,709)	-	(66,163)	(74,872)
Effects of retrospective application of IFRS9	-	(79,429)	66,163	(13,266)
Balance at January 1, 2018 after adjustments	(8,709)	(79,429)	-	(88,138)
— Changes of the Group	438	(22,418)	-	(21,980)
— Disposal of investments in equity instrument designated at FVOCI	-	(2,452)	-	(2,452)
Balance at December 31, 2018	\$ (8,271)	(104,299)	-	(112,570)

#### (t) Treasury stock

The changes of treasury stocks were as follows:

Reason to buy back	(Expressed in thousands of shares)			
	Beginning shares	Increase shares	Decrease shares	Ending shares
<b>For the years ended December 31, 2019</b>				
Transfer to employees	12,000	5,000	(12,000)	5,000
<b>For the years ended December 31, 2018</b>				
Maintain the Company's credit and stockholders' equity	-	9,000	(9,000)	-
Transfer to employees	12,000	-	-	12,000
	12,000	9,000	(9,000)	12,000

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Board of Directors has resolved during the board meeting held on January 8, 2019, March 2, 2018, and August 3, 2018, for the Company to repurchase its share as treasury stocks. The Company's Board of Directors approved resolutions to retire treasury stocks amounting to 12,000 thousand shares and 9,000 thousand shares, respectively, on March 8, 2019, May 4, 2018, and November 2, 2018. The related registration procedures had been completed.

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the number of shares repurchased should not exceed 10 percent of all common stocks issued. Also, the value of repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The above amount did not exceed the statutory limit.

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

As of December 31, 2019, and 2018, the cost of treasury stocks amounted to \$50,739 and \$150,927, respectively.

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. In 2019 and 2018, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's stocks. As of December 31, 2019, and 2018, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. The cost was \$122,282 which was recognized in treasury stocks. As of December 31, 2019 and 2018, their market values amounted to \$154,781 and \$83,547, respectively.

#### (u) Earnings per share

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

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Basic earnings per share</b>		
Profit (loss) attributable to owners of parent	<u>\$ 257,325</u>	<u>111,926</u>
Weighted-average number of common stocks at end of year (expressed in thousands of shares)	<u>148,848</u>	<u>157,803</u>
Expressed in New Taiwan dollars	<u>\$ 1.73</u>	<u>0.71</u>
<b>Diluted earnings per share</b>		
Profit (loss) attributable to owners of parent	<u>\$ 257,325</u>	<u>111,926</u>
Weighted-average number of common stocks (expressed in thousands of shares)	148,848	157,803
Effect of potentially dilutive common stock:		
— Employee bonus (expressed in thousands of shares)	1,023	774
Weighted-average number of common stocks - diluted (expressed in thousands of shares)	<u>149,871</u>	<u>158,577</u>
Expressed in New Taiwan dollars	<u>\$ 1.72</u>	<u>0.71</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

In computing basic earnings (loss) per share of common stock for the years ended December 31, 2019 and 2018, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Group's subsidiaries as treasury stock.

#### (v) Revenue from Contracts with Customers

##### (i) Disaggregation of revenue

	<b>For the years ended December 31, 2019</b>			
	<b>Domestic</b>	<b>North America</b>	<b>Other operating department</b>	<b>Total</b>
Primary geographical markets:				
Europe	\$ 2,255,803	2,869	387	2,259,059
USA	86	940,570	-	940,656
Others	601,891	305,559	394	907,844
Total	<b>\$ 2,857,780</b>	<b>1,248,998</b>	<b>781</b>	<b>4,107,559</b>
Major products:				
Liquid crystal display modules	\$ 835,651	774,281	-	1,609,932
Capacitive touch panel and capacitive touch panel module	1,958,902	466,970	-	2,425,872
Others	63,227	7,747	781	71,755
Total	<b>\$ 2,857,780</b>	<b>1,248,998</b>	<b>781</b>	<b>4,107,559</b>
	<b>For the years ended December 31, 2018</b>			
	<b>Domestic</b>	<b>North America</b>	<b>Other operating department</b>	<b>Total</b>
Primary geographical markets:				
Europe	\$ 1,132,845	4,585	589	1,138,019
USA	-	692,794	-	692,794
Others	493,725	494,001	196	987,922
Total	<b>\$ 1,626,570</b>	<b>1,191,380</b>	<b>785</b>	<b>2,818,735</b>
Major products:				
Liquid crystal display modules	\$ 945,865	801,468	-	1,747,333
Capacitive touch panel and capacitive touch panel module	647,658	388,970	-	1,036,628
Other	33,047	942	785	34,774
Total	<b>\$ 1,626,570</b>	<b>1,191,380</b>	<b>785</b>	<b>2,818,735</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) Contract balance

	<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2018.1.1</u>
Accounts receivable (including related parties)	\$ 556,362	489,171	513,052
Less: Allowance for impairment	<u>(18,771)</u>	<u>(20,327)</u>	<u>(22,644)</u>
Total	<u>\$ 537,591</u>	<u>468,844</u>	<u>490,408</u>
Contract liability – unearned			
revenue(recognized in other current liabilities)	<u>\$ 13,031</u>	<u>5,348</u>	<u>10,185</u>

Please refer to Note 6(d) for accounts receivables and impairment.

The amount of revenue recognized for the year ended December 31, 2019 and 2018, that was included in the contract liability balance at the beginning of the period were \$4,210 and \$9,515, respectively.

(w) **Employee compensation, and directors' and supervisors' remuneration**

According to the Company's articles of association, the Company should contribute no less than 5% of the profit as employee compensation and a maximum of 3% as directors' and supervisors' remuneration when there is profit for the year. However, certain amounts of the earnings should be reserved if there is an accumulated loss from operations in previous years in advance of the appropriation of the employee bonuses. The aforementioned employee bonuses will be distributed in cash or stock to employees who satisfy certain specifications of the Company and its affiliates.

For the year ended December 31, 2019 and 2018, the Company accrued the compensation of employees amounted to \$16,362 and \$6,704, respectively and the remuneration of directors' and supervisors' amounted to \$9,817 and \$4,023, respectively. The compensation of employees, remuneration of directors and supervisors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors and supervisors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses for the respective period. The previous distribution of compensation to employees, remuneration of directors and supervisors approved by Board of Directors had no difference with the accrued amount for year 2019 and 2018 consolidated financial reports. Related information would be available at the Market Observation Post System website. <http://emops.twse.com.tw>

(x) **Net other income (expenses)**

Net other income (expenses) consists of income form rental income.

(y) **Non-operating income and expenses**

(i) Other income

Details of other income were as follows:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income		
Bank deposits	\$ 20,472	17,316
Other loans and receivables	164	191
Dividend income	8,716	12,926
Others	3,309	4,396
	<b>\$ 32,661</b>	<b>34,829</b>
 (ii) Other gains and losses		
Details of other gains and losses were as follows:		
	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains (losses)	\$ (32,890)	41,910
Net gains (losses) on disposal of financial assets		
(liabilities) measured at fair value through profit or loss	3,795	(2,962)
Net gains on disposal of property, plant and equipment	568	4,152
Others	(569)	(2)
	<b>\$ (29,096)</b>	<b>43,098</b>
 (iii) Finance costs		
Details of finance costs were as follows:		
	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expenses		
Bank loans	\$ 10,828	12,016
Lease liabilities	3,177	-
Management fee of syndicated loan	250	250
	<b>\$ 14,255</b>	<b>12,266</b>

#### (z) Financial instruments

##### (i) Credit risk

###### 1) Exposure to credit risk

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

###### 2) Concentration of credit risk

The Group has no significant concentration of its accounts receivable as of December 31, 2019 and 2018.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 3) Accounts receivable of credit risk

Please refer to Note 6(d).

Other financial assets measured at amortized cost including other accounts receivable, refundable deposits, and certificate deposit recognized.

The loss allowance provision and impairment of credit for the abovementioned financial assets measured at 12-months expected credit loss (ECL) or lifetime expected credit loss (ECL) were as follows:

	<b>2019.12.31</b>		
	<b>Financial assets measured at amortized cost</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL-unimpaired</b>	<b>Lifetime ECL-impaired</b>
Other accounts receivable	\$ 18,684	-	-
Refundable deposits	7,080	-	-
Restricted time deposits	2,096	-	-
Allowance for impairment	-	-	-
Amortized cost	<b>\$ 27,860</b>	-	-
Carrying amount	<b>\$ 27,860</b>	-	-
	<b>2018.12.31</b>		
	<b>Financial assets measured at amortized cost</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL-unimpaired</b>	<b>Lifetime ECL-impaired</b>
Other accounts receivable	\$ 15,840	-	-
Refundable deposits	7,234	-	-
Restricted time deposits	2,102	-	-
Allowance for impairment	-	-	-
Amortized cost	<b>\$ 25,176</b>	-	-
Carrying amount	<b>\$ 25,176</b>	-	-

The movement in the provision for impairment with respect to the financial assets measured at amortized cost was as follows:

	<b>12-month ECL</b>	<b>Lifetime ECL-unimpaired</b>	<b>Lifetime ECL-impaired</b>
Balance at January 1, 2019	\$ -	-	-
Balance on December 31, 2019	-	-	-
Balance at January 1, 2018	-	-	2,828
Offset uncollected amount	-	-	(2,807)
Effect of changes in foreign currency exchange rates	-	-	(21)
Balance on December 31, 2018	<b>\$ -</b>	-	-

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (ii) Liquidity risk

Details of financial liabilities categorized by due dates were as follows. The amounts include interest expenses but exclude the impacts of negotiated net amounts.

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 year</u>	<u>Due in over 5 years</u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 319,555	(323,599)	(2,886)	(320,713)	-	-	-
Unsecured loans (floating rate)	400,000	(400,534)	(400,534)	-	-	-	-
Accounts payable (no interest)	431,437	(431,437)	(431,437)	-	-	-	-
Notes payable (no interest)	307	(307)	(307)	-	-	-	-
Other payable (no interest)	109,644	(109,644)	(109,644)	-	-	-	-
Lease liability (fixed interest)	78,482	(114,543)	(7,843)	(6,602)	(7,224)	(12,070)	(80,804)
Guarantee deposits received (no interest)	587	(587)	-	-	(34)	(553)	-
Derivative financial liabilities							
Swap Contract:	994						
Cash in		89,940	89,940	-	-	-	-
Cash out		(91,191)	(91,191)	-	-	-	-
	<u>\$ 1,341,006</u>	<u>(1,381,902)</u>	<u>(953,902)</u>	<u>(327,315)</u>	<u>(7,258)</u>	<u>(12,623)</u>	<u>(80,804)</u>

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 year</u>	<u>Due in over 5 years</u>
<b>December 31, 2018</b>							
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)	459,356	(459,356)	(459,356)	-	-	-	-
Notes payable (no interest)	720	(720)	(720)	-	-	-	-
Other payable (no interest)	91,509	(91,509)	(91,509)	-	-	-	-
Guarantee deposits received (no interest)	264	(264)	(264)	-	-	-	-
	<u>\$ 1,320,737</u>	<u>(1,334,012)</u>	<u>(925,896)</u>	<u>(3,633)</u>	<u>(404,483)</u>	<u>-</u>	<u>-</u>

The Group does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

### (iii) Foreign currency risk

#### 1) Exposure to foreign currency risk

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Significant financial assets and liabilities exposed to foreign currency risk were as follows:

	2019.12.31			2018.12.31		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 69,372	29.98	2,079,789	51,690	30.715	1,587,648
JPY	18,491	0.276	5,104	34,512	0.2782	9,601
CNY	176	4.305	757	790	4.472	3,535
EUR	7	33.59	225	23	35.20	821
<u>Non-monetary items</u>						
USD	3,802	29.98	113,978	3,553	30.715	109,121
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	14,135	29.98	423,768	11,542	30.715	354,523
JPY	40,745	0.2760	11,246	30,140	0.2782	8,385
EUR	11	33.59	386	18	35.2	633
TWD	-	1	-	5,029	1	5,029
<u>Non-monetary items</u>						
USD	3,000	29.98	89,940	-	-	-

### 2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, other receivables, financial assets at fair value through profit or loss, loans, accounts payable, bonds payable and other payables. As of December 31, 2019 and 2018, the exchange rate of the TWD versus the USD, CNY, JPY, and EUR increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$11,205 and \$10,281, respectively. The analysis assumes that all other variables remain constant.

### 3) Exchange gain or loss

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain (loss) of monetary items. For year 2019 and 2018, foreign exchange loss (including realized and unrealized) amounted to gain (loss) \$(32,890) and \$41,910, respectively.

### (iv) Interest rate analysis

Please refer to liquidity risk management for the detail of the Group's financial assets and financial liabilities' interest exposure.

The sensitivity analysis of interest was made based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates was prepared based on the assumption that the outstanding amount at the reporting date had existed for the whole year.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The rate of change used by the Group as interest to report to the management lever is  $\pm 1\%$  of the interest rate. This also represents the management's assessment of the reasonable scope of change.

If interest rates on loans had increased or decreased by 1% with all other variables held constant. Profit after tax for the years 2019 and 2018 would have been decreased or increased by \$78 and \$87, respectively, mainly as a result of liabilities bearing floating interest rates.

(v) Other price risk

If the equity securities price changes on the reporting date (adopt the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

Equity price at reporting date	For the years ended December 31			
	2019		2018	
	After tax amount of other comprehensive income	After tax profit/loss	After tax amount of other comprehensive income	After tax profit/loss
Increase 3%	<u>\$ 7,512</u>	<u>1,296</u>	<u>6,143</u>	<u>3,130</u>
Decrease 3%	<u>\$ (7,512)</u>	<u>(1,296)</u>	<u>(6,143)</u>	<u>(3,130)</u>

(vi) Fair value

1) Categories and fair values of financial instruments

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, are measured on a recurring basis. The carrying amount and fair value of the Group'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 lease liabilities, disclosure of fair value information is not required:

	Carrying amount	December 31, 2019			Total
		Fair Value			
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial assets	\$ 76	-	76	-	76
Debt investment with quoted market price	<u>54,018</u>	54,018	-	-	54,018
Subtotal	<u>54,094</u>				
<b>Financial assets at fair value through other comprehensive income</b>					
Equity instrument with quoted market prices	110,444	110,444	-	-	110,444
Equity instrument at fair value without quoted market prices	<u>139,872</u>	-	-	139,872	139,872
Subtotal	<u>250,316</u>				
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	1,368,252	-	-	-	-
Accounts receivable	537,591	-	-	-	-
Other receivable	18,684	-	-	-	-
Restricted time deposits	2,096	-	-	-	-

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

December 31, 2019					
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Refundable deposits (recognized in other non-current financial assets)	7,080	-	-	-	-
Subtotal	1,933,703				
<b>Total financial assets</b>	<b>\$ 2,238,113</b>				
<b>Financial liabilities at fair value through profit or less</b>					
Derivative financial liabilities	\$ 994	-	994	-	994
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 719,555	-	-	-	-
Notes payable	307	-	-	-	-
Accounts payable	431,437	-	-	-	-
Other payable	109,644	-	-	-	-
Lease liabilities	78,482	-	-	-	-
Guarantee deposits	587	-	-	-	-
Subtotal	1,340,012				
<b>Total financial liabilities</b>	<b>\$ 1,341,006</b>				
December 31, 2018					
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or less</b>					
Derivative financial assets	\$ 379	-	379	-	379
Debt investment with quoted market price	126,080	126,080	-	-	126,080
Subtotal	126,459				
<b>Financial assets at fair value through other comprehensive income</b>					
Equity instrument with quoted market prices	204,764	204,764	-	-	204,764
Equity instrument at fair value without quoted market prices	151,668	-	-	151,668	151,668
Subtotal	356,432				
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	1,029,113	-	-	-	-
Accounts receivable	468,844	-	-	-	-
Other receivable	15,840	-	-	-	-
Restricted time deposits	2,102	-	-	-	-
Refundable deposits (recognized in other non-current financial assets)	7,234	-	-	-	-
Subtotal	1,523,133				
<b>Total financial assets</b>	<b>\$ 2,006,024</b>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 768,888	-	-	-	-
Notes payable	720	-	-	-	-
Accounts payable	459,356	-	-	-	-
Other payable	91,509	-	-	-	-
Guarantee deposits	264	-	-	-	-
<b>Total financial liabilities</b>	<b>\$ 1,320,737</b>				

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Group measures its assets and liabilities use input observable market data. The fair value hierarchy categorizes the inputs used in valuation techniques 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 and assumptions unused in fair value determination

##### A. Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the fair value will be estimated by valuation technique or the prices quoted by competitors.

##### B. Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

#### 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 Group's listed securities and open-end funds with standard terms and conditions and traded in active markets are determined by the quoted market prices.

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique. 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 Swap contracts is based on quoted prices from the counterparty.

#### 4) Transfer between level 1 and level 2

There was no transfer between the fair value hierarchy levels for the year ended December 31, 2019 and 2018.

#### 5) Movement of financial assets at fair value through other comprehensive income categorized as Level 3.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

Notes to consolidated financial statements

	<b>Financial assets at fair value through other comprehensive income</b>	
	<b>Unquoted equity instruments</b>	
<b>Balance on January 1, 2019</b>	\$	151,668
Reclassification from prepayment for investments		2,700
Recognized in other comprehensive income		<u>(14,496)</u>
<b>Balance on December 31, 2019</b>	<b>\$</b>	<b><u>139,872</u></b>
<b>Balance at January 1, 2018</b>	\$	185,000
Adjustments on initial application of IFRS 9		<u>(36,400)</u>
Balance after adjustment at January 1, 2018		148,600
Recognized in other comprehensive income		<u>3,068</u>
<b>Balance at December 31, 2018</b>	<b>\$</b>	<b><u>151,668</u></b>

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

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through other comprehensive income— equity investments.

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

The Group's major equity investment without active market — Chenfeng Optonics Corporation's quantified information of significant unobservable inputs was as follows :

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant between significant fair value measurement
Fair value through other comprehensive income-equity investments without active market	Discounted Cash Flow Method	·Continuing growth rate (2.10% and 1.96%, respectively, as of December 31, 2019 and 2018)	·If the continuing growth rate were higher, the estimated fair value would increase.
		·Weighted average cost of capital (9.47% and 11.82%, respectively, as of December 31, 2019 and 2018)	·If WACC were higher, the estimated fair value would decrease.
		·Market illiquidity discount rate ( 37.21% and 38.36%, respectively, as of December 31, 2019 and 2018)	·If the market illiquidity discount were higher, the estimated fair value would decrease.
		·Non-controlling interests discount rate of 29.87% for December 31, 2019 and 2018	·If the non-controlling interests discount were higher, the estimated fair value would decrease.

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

The Group’s measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results.

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income :

Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
		Favorable	Unfavorable
December 31, 2019			
Continuing growth rate 2.10%	0.1%	\$ 1,890	1,750
Weighted average cost of capital 9.47%	0.5%	2,380	2,240
Market illiquidity discount rate 37.21%	1%	1,960	1,960
Non-controlling interests discount rate 29.87%	1%	1,750	1,750
December 31, 2018			
Continuing growth rate 1.96%	0.1%	\$ 1,610	1,540
Weighted average cost of capital 11.82%	0.5%	11,410	10,290
Market illiquidity discount rate 38.36%	1%	2,240	2,310
Non-controlling interests discount rate 29.87%	1%	2,030	2,030

The favorable and unfavorable effects represented the changes in fair value, and fair value was based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflected the effects of changes in a single input, and it did not include the interrelationships and variances with another input.

**(aa) Financial risk management**

(i) Overview

The extent of risk exposure arising from the use of financial instruments was as follows:

- 1) Credit risk
- 2) Liquidity risk

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 3) Market risk

The Group's risk management objective, policies and procedures and the exposure risk arising from the aforementioned risks are disclosed below. For more quantitative information, please refer to other notes to the consolidated financial statements.

#### (ii) Risk management framework

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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, products and services offered. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The supervisor of the Group oversees how the management complies in monitoring the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The supervisor is assisted in its oversight role by an internal Audit. An 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 of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's accounts receivable, bank deposits and foreign exchange derivative instruments.

##### 1) Accounts receivable and other receivables

The credit risk is impacted by the individual situation of each client. The Group 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 Group 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 Group reviews credit limits periodically and requires customers to pay in advance when the customers' credit ratings did not meet the benchmark.

##### 2) Investments

The credit risk exposure in the bank deposits and derivative financial instruments are measured and monitored by the finance department. Since the Group'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 investment target is under the Group's affordable level.

#### (iv) Liquidity risk

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

As of December 31, 2019 and 2018, the Group has unused credit facilities for short-term loan amounting to \$1,592,106 and \$1,715,911, 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 Group'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 Group engages in derivative financial instruments trading in order to manage the market risk, thus, generating financial liabilities or financial assets, all the execution of those transactions were under the Board's instruction.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan dollar (TWD), US dollar (USD), Japan Yen (JPY), Danish Krone (DKK), China Yuan (CNY) and Korean Won (KRW). The currencies used in these transactions are the TWD, USD, JPY and CNY.

At any point of time, the Group's principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operation. The Group mainly hedges its currency risk using the foreign exchange agreements wherein the maturity date is less than 6 months.

2) Interest risk

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

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity instruments and mutual funds that contain uncertainty of future prices risk. Therefore, the Group monitors and manages the equity investments by holding different investment portfolio and regularly updating the information of equity instruments and mutual funds investment.

**(ab) Capital management**

The Board's 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 common stocks, non-redeemable preference stocks, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to common shareholders.

The Group meets its objectives in managing its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and 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 Group 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 Group and other entities in the same industry 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. The total capital and equity include stock capital, capital surplus, retained earnings, other equity, and non-controlling

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

interest. In 2018, the Group's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting period as at December 31, 2019 and 2018, is as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Net debt	<b>\$ 316,633</b>	<b>555,796</b>
Total equity	<b>\$ 1,951,981</b>	<b>1,809,159</b>
Debt-to-equity ratio	16.22%	30.72%

As of December 31, 2019, the debt to equity ratio reduced because revenue increased and net debt reduced in 2019, causing the total equity to increase.

#### (ac) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow were as follows:

- (i) Please refer to Note 6(j) for right of use assets.
- (ii) Reconciliation of liabilities arising from financing activities were as follows :

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019
			Foreign exchange movement	Amortized	Other	
Short-term loans	\$ 370,000	30,000	-	-	-	400,000
Long-term loans (including long term loans, current portion)	398,888	(80,000)	-	667	-	319,555
Lease liabilities	90,510	(12,826)	(791)	-	1,589(Note)	78,482
Guarantee deposits	264	339	(16)	-	-	587
Total liabilities from financing activities	<b>\$ 859,662</b>	<b>(62,487)</b>	<b>(807)</b>	<b>667</b>	<b>1,589</b>	<b>798,624</b>

Note: Obtain the right-of-use assets

	January 1, 2018	Cash flows	Non-cash changes			December 31, 2018
			Foreign exchange movement	Amortized	Other	
Short-term loans	\$ 557,000	(187,000)	-	-	-	370,000
Long-term loans (including long term loans, current portion)	398,246	-	-	642	-	398,888
Guarantee deposits	34	225	5	-	-	264
Total liabilities from financing activities	<b>\$ 955,280</b>	<b>(186,775)</b>	<b>5</b>	<b>642</b>	<b>-</b>	<b>769,152</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (7) Transactions with Related Parties

Compensation of key management personnel

The information on key management personnel compensation was as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 28,057	24,842
Post-employment benefits	513	505
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<b>\$ 28,570</b>	<b>25,347</b>

In 2018, the Group provided respectively five of its own cars with carrying amount of \$13,053, and as of March 31, 2018, rented another car for their key management personnel to use. The rental car expense amounted to \$226 for the year ended December 31, 2018.

#### (8) Pledged Assets

The details and carrying value of pledged assets were as follows:

<b>Pledged Assets</b>	<b>Purpose</b>	<b>2019.12.31</b>	<b>2018.12.31</b>
Restricted time deposits-current	Guarantee for customs	\$ 1,543	1,536
Restricted time deposits-non-current	Performance guarantee	553	566
Property, plant and equipment – buildings	Guarantee for long-term loans	225,474	202,076
		<b>\$ 227,570</b>	<b>204,178</b>

#### (9) Commitments and Contingencies

(a) As of December 31, 2019 and 2018, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$16,074 and \$4,150, respectively.

(b) As of December 31, 2019 and 2018, the Group has signed contracts for the purchase of equipment. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$806 and \$2,630, respectively.

(10) **Losses Due to Major Disasters: None**

(11) **Significant Subsequent Events: None**

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (12) Other

The details of the Group's employee benefits, depreciation, and amortization were as follows:

By function  By item	For the years ended December 31					
	2019			2018		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
employee benefits:						
Salary	415,384	206,925	622,309	386,937	190,430	577,367
Labor and health insurance	42,053	15,152	57,205	38,337	13,695	52,032
Pension expense	24,604	10,363	34,967	24,002	10,067	34,069
Remuneration of directors	-	11,425	11,425	-	7,086	7,086
Other personnel cost	6,353	2,389	8,742	5,320	1,785	7,105
Depreciation	71,099	12,856	83,955	61,888	4,475	66,363
Amortization	562	493	1,055	792	2,398	3,190

### (13) Supplementary Disclosure Requirements

#### (a) Information on significant transactions:

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the year ended December 31, 2019 were as follows:

#### (i) Loans extended to other parties:

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of Financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount	Remark
					(Note1)	(Note 1)	(Note 1)				Item	Value	(Note 2)	(Note 2)			
0	The Company	Emerging Display Technologies Corp., U.S.A.	Other receivable-related parties	Yes	43,471 USD 1,450,000	43,471 (USD 1,450,000)	20,986 (USD 700,000)	3.85%~ 4.79%	The need for short-term financing	-	Working capital	-	-	-	189,106 (Note 2)	756,842 (Note 2)	Note3

Note1: It used the rate of exchange at December 31, 2019.

Note2: Limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of the period. Limit of total financing amount shall not exceed 40% of the Company's net asset value.

Note 3: It was eliminated in the consolidation.

#### (ii) Guarantees provided to other parties: None

#### (iii) Securities owned as of December 31, 2019 (subsidiaries, associates and joint ventures not included):

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

Notes to consolidated 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, 2019				Highest in the mid-term		Remarks
				Units (shares)	Carrying Value	Highest percentage of ownership during the year	Fair value	Units (shares)	Highest percentage of ownership during the year	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets at FVOCI – noncurrent	1,470,000	15,832	5.25%	15,832	1,470,000	5.25%	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI – noncurrent	1,000,000	17,720	1.64%	17,720	1,000,000	1.75%	-
The Company	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVOCI – noncurrent	13,845	890	- %	890	13,845	- %	-
The Company	Innolux Corp. stock	-	Financial assets at FVOCI – current	1,147,089	9,555	0.01%	9,555	1,147,089	0.01%	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Financial assets at FVOCI – current	300,000	13,920	- %	13,920	300,000	- %	-
The Company	Synnex Technology International Co., Ltd. stock	-	Financial assets at FVOCI – current	458,000	17,175	0.03%	17,175	458,000	0.03%	-
The Company	Nan Ya Plastics Corporation stock	-	Financial assets at FVOCI – current	210,000	15,288	-	15,288	210,000	-	-
The Company	Pegatron Co., Ltd. stock	-	Financial assets at FVOCI – current	216,000	14,775	0.01%	14,775	216,000	0.01%	-
The Company	Coasia Microelectronics Corp. stock (Note 1)	-	Financial assets at FVOCI – current	441,508	5,055	0.32%	5,055	441,508	0.32%	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	480,000	11,256	0.78%	11,256	480,000	0.78%	-
The Company	Edmond de Rothschild Fund – Europe Convertibles(A) USD	-	Financial assets at FVTPL – current	8,468.12	23,636	-	23,636	8,468.12	-	-
The Company	JPMorgan Multiple Income Fund (USD)	-	Financial assets at FVTPL – current	5,083.88	30,382	-	30,382	5,083.88	-	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	550,000	12,897	0.90%	12,897	550,000	0.90%	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Financial assets at FVOCI – current	101,500	722	0.02%	722	101,500	0.02%	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	5,346,672	94,101	3.29%	94,101	5,346,672	3.29%	(Note2)
Bae Haw Investment Development Corp	Everest Technology Inc.	-	Financial assets at FVOCI – noncurrent	1,000,000	-	1.47%	-	1,000,000	1.47%	-
Bae Haw Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	380,000	8,911	0.62%	8,911	380,000	0.62%	-
Bae Haw Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	3,447,716	60,680	2.12%	60,680	3,447,716	2.12%	(Note2)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI – noncurrent	6,000,000	106,320	9.83%	106,320	6,000,000	12.23%	-

Note1: Coasia Microelectronics Corp. was renamed as Coasia Electronics Corp. on July 19, 2019.

Note2: It was eliminated in the consolidation.

- (iv) Accumulated trading amount of a single security in excess of \$300 million or 20% of the Group's issued stock capital: None
- (v) Acquisition of property, plant and equipment in excess of \$300 million or 20% of issued stock capital: None.
- (vi) Disposal of property, plant and equipment in excess of \$300 million or 20% of issued stock capital: None.
- (vii) Sales to and purchases from related parties in excess of \$100 million or 20% of issued stock capital was as follows:

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Purchasing (selling) company	Counter party	Relation-ship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Sale	1,133,461	28.40%	3 months	Sales prices offered to Emerging Display Technologies Corp., U.S.A. was 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.	289,755	42.88%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	107,322	4.39%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to.	The Company is the only entity the subsidiary provides processing service to.	-	-	(Note)
The Company	Dong Guan Emerging Display Limited	Sub subsidiary of the Company	Purchase (processing cost)	106,865	43.73%	1 3 months	The Company is the only entity that Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	The Company is the only entity the sub subsidiary provides processing service to.	(96,640)	20.06%	(Note)
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,133,461	100.00%	3 months	The Company is the major supplier for Emerging Display Technologies Corp., U.S.A.	The Company is the major supplier for Emerging Display Technologies Corp., U.S.A.	289,755	100.00%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	107,322	100.00%	1-3 months	The Company is the only entity the subsidiary provides processing service to.	The Company is the only entity the subsidiary provides processing service to.	-	-	(Note)
Dong Guan Emerging Display Limited	The Company	Sub subsidiary of the Company	Sale (processing revenue)	106,865	50.71%	1-3 months	The Company is the only entity the sub subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the sub subsidiary provides processing service to.	96,640	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	103,862	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	-	-	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	103,862	49.29%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to	-	-	(Note)

Note: It was eliminated in the consolidation.

(viii) Receivables from related parties in excess of \$100 million or 20% of issued stock capital were as follows:

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Name of company the 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	Account receivables of 289,755	3.62	-	-	175,199	-	(Note)
			Other receivable of 20,986	-	-	-	20,986	-	(Note)

Note: It was eliminated in the consolidation.

(ix) Derivative financial instrument transactions:

Please refer to Note 6(b).

(x) Significant inter-Group transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Sales revenue Accounts receivable	1,133,461 289,755	Considering the trading practices in North American market, the Group set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets. The price in North American market is not significantly different from that in general market.	27.59% 7.97%
0	The Company	Tremendous Explore Corp.	1	Processing cost	107,322	No non-related-party transaction to compare to.	2.61%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Selling expenses -Commission Other payable	288 62	No non-related-party transaction to compare to.	0.01% -
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission Other payable	54,292 7,409	No non-related-party transaction to compare to.	1.32% 0.20%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses -Commission	4,083	No non-related-party transaction to compare to.	0.10%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission	13,683	No non-related-party transaction to compare to.	0.33%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Interest revenue Other receivable	1,313 20,986	Adjust by floating interest rate of Bank of America.	0.03% 0.58%
0	The Company.	Dong Guan Emerging Display Limited	1	Processing cost Purchase material Other payable	106,865 58,839 96,640	No non-related-party transaction to compare to.	2.60% 1.43% 2.66%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing cost Purchase material	103,862 44,522	No non-related-party transaction to compare to.	2.53% 1.08%

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Note: Relationship notes as follows,

- 1) Parent Group to subsidiary
- 2) Subsidiary to parent Group
- 3) Subsidiary to subsidiary

### (b) Information on investees

Relevant information about investees is as follows: (excluding information on investees in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Highest percentage owned during the year	Net income (loss) of the investee	Investment income (loss) recognized	Remarks
				December 31, 2019	December 31, 2018	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%	75,694 (Note 1)	100.00%	7,578	7,618	Subsidiary (Note 3)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	85,927	78.49%	(5,447)	(4,275)	Subsidiary (Note 3)
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	2,091	100.00%	254	254	Subsidiary (Note 3)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	260	100.00%	9,668	9,668	Subsidiary (Note 3)
The Company	Emerging Display Technologies Korea	Korea	Customer service and business support	1,677	1,677	58,212,500	100.00%	1,202	100.00%	39	39	Subsidiary (Note 3)
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	4,469	100.00%	427	427	Subsidiary (Note 3)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	22,205	100.00%	3,340	667 (Note 2)	Subsidiary (Note 3)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	35,903	100.00%	1,798	74 (Note 2)	Subsidiary (Note 3)
The Company	Ying cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	61,095	52.50%	(104)	(55)	Subsidiary (Note 3)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,459	5.90%	(5,447)	(321)	Subsidiary (Note 3)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	12,491	11.41%	(5,447)	(622)	Subsidiary (Note 3)

Note 1: It was deducted unrealized profit from sales \$13,567.

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

Note 3: It was eliminated in the consolidation.

### (c) Information on investments in Mainland China:

#### (i) Information on investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Dec. 31, 2019	Net income of investee	The Group's direct or indirect investment ratio	Highest ratio during the year	Investment gain (loss) recognized by the Group	Book value of the investment as of Dec. 31, 2019	Accumulated investment income repatriated to Taiwan as of Dec. 31, 2019
					Remittance	Repatriation							
Dong Guan Emerging Display Limited	Manufacturing of LCDs and Touch panel	248,516 (US\$ 7,625,300)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$6,746,936) (Note1)	-	-	219,225 (US\$6,746,936)	(5,425)	95.80% (Note2)	95.80%	(5,197) Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	95,806 (Note 4)	-

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) Limitation on investment in Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
207,901 (Note 8) (US\$6,934,668)(Note5)	418,273 (Note 8) (US\$13,951,732)(Note6)	1,262,998 (Note7)

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 loss of \$320 which was recognized by Ying Dar Investment Development Corp. and a loss of \$619 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$5,900 which was invested by Ying Dar Investment Development Corp. and \$11,411 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. didn't remit back after it had completed liquidation in 2009 due to net loss.

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. didn't remit back after it had completed liquidation in 2009 due to net loss.

Note 7: The amount includes \$69,784 for Ying Dar Investment Development Corp. and \$57,950 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2019.

(iii) Significant transactions:

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

## (14) Segment Information

(a) General information

The Group has three reportable segments: the domestic segment, the North America segment and the mainland China segment. The domestic segment includes sales division, research develop division and manufacturing division. It engages in designing, manufacturing and selling of liquid crystal displays modules and capacitive touch panel, and functions as operating headquarters of the Group. The North America segment engages mainly in expanding the North American trading business and implements marketing function in North America. The North America segment engages in the sale of liquid crystal displays provided by the domestic segment. The mainland China segment engages in the manufacture of processing raw materials and supplies provided by the domestic segment and it deals mainly in the business of manufacturing liquid crystal display modules and capacitive touch panel.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(b) Information which should be reported includes the segment income, segment assets, and segment liabilities, and their measurement basis and reconciliation information

The reported amounts are consistent with the management reports adopted by decision makers. There was no material inconsistency between the accounting policies of reportable segments and the accounting policies described in Note 4. The reportable segments' income was measured using the operating income before tax, which was also used as the basis for performance evaluation. Sales and other transactions among consolidated entities were considered as transactions with third parties and they are measured based on the market value.

Reportable segment information is as follows:

	<b>For the years ended December 31, 2019</b>					
	<b>Domestic</b>	<b>North America</b>	<b>Mainland China</b>	<b>Other operating department</b>	<b>Adjustments and elimination</b>	<b>Total</b>
<b>Revenue</b>						
Sales to customers other than consolidated entities	\$ 2,857,780	1,248,998	-	781	-	4,107,559
Sales among consolidated entities	1,133,461	288	321,030	72,058	(1,526,837)	-
Interest revenue	21,914	1	34	-	(1,313)	20,636
<b>Total revenue</b>	<b><u>\$ 4,013,155</u></b>	<b><u>1,249,287</u></b>	<b><u>321,064</u></b>	<b><u>72,839</u></b>	<b><u>(1,528,150)</u></b>	<b><u>4,128,195</u></b>
Interest expenses	<u>\$ 13,235</u>	<u>1,507</u>	<u>689</u>	<u>137</u>	<u>(1,313)</u>	<u>14,255</u>
Depreciation and amortization	<u>\$ 69,692</u>	<u>2,793</u>	<u>8,958</u>	<u>3,567</u>	<u>-</u>	<u>85,010</u>
<b>Segment income</b>	<b><u>\$ 302,109</u></b>	<b><u>9,560</u></b>	<b><u>5,002</u></b>	<b><u>755</u></b>	<b><u>(13,526)</u></b>	<b><u>303,900</u></b>
<b>Segment assets</b>	<b><u>\$ 3,465,228</u></b>	<b><u>413,535</u></b>	<b><u>162,884</u></b>	<b><u>24,805</u></b>	<b><u>(429,586)</u></b>	<b><u>3,636,866</u></b>
<b>Segment liabilities</b>	<b><u>\$ 1,544,022</u></b>	<b><u>324,510</u></b>	<b><u>62,618</u></b>	<b><u>17,042</u></b>	<b><u>(263,307)</u></b>	<b><u>1,684,885</u></b>
	<b>For the years ended December 31, 2018</b>					
	<b>Domestic</b>	<b>North America</b>	<b>Mainland China</b>	<b>Other operating department</b>	<b>Adjustments and elimination</b>	<b>Total</b>
<b>Revenue</b>						
Sales to customers other than consolidated entities	\$ 1,626,570	1,191,380	-	785	-	2,818,735
Sales among consolidated entities	1,082,325	670	280,704	63,692	(1,427,391)	-
Interest revenue	19,027	1	42	46	(1,609)	17,507
<b>Total revenue</b>	<b><u>\$ 2,727,922</u></b>	<b><u>1,192,051</u></b>	<b><u>280,746</u></b>	<b><u>64,523</u></b>	<b><u>(1,429,000)</u></b>	<b><u>2,836,242</u></b>
Interest expenses	<u>\$ 12,259</u>	<u>1,609</u>	<u>-</u>	<u>7</u>	<u>(1,609)</u>	<u>12,266</u>
Depreciation and amortization	<u>\$ 65,950</u>	<u>1,019</u>	<u>2,401</u>	<u>183</u>	<u>-</u>	<u>69,553</u>
<b>Segment income</b>	<b><u>\$ 112,014</u></b>	<b><u>4,320</u></b>	<b><u>6,554</u></b>	<b><u>1,078</u></b>	<b><u>2,663</u></b>	<b><u>126,629</u></b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

**For the years ended December 31, 2018**

	<u>Domestic</u>	<u>North America</u>	<u>Mainland China</u>	<u>Other operating department</u>	<u>Adjustments and elimination</u>	<u>Total</u>
<b>Segment assets</b>	<b>\$ 3,233,548</b>	<b>474,457</b>	<b>141,486</b>	<b>17,567</b>	<b>(472,990)</b>	<b>3,394,068</b>
<b>Segment liabilities</b>	<b>\$ 1,605,404</b>	<b>390,779</b>	<b>73,217</b>	<b>10,647</b>	<b>(495,138)</b>	<b>1,584,909</b>

The following is the explanation of material reconciliation item:

- (i) For the years ended December 31, 2019 and 2018, the operating segments revenue eliminated from the consolidated entities were \$1,528,150 and \$1,429,000, respectively.
- (ii) For the years ended December 31, 2019 and 2018 the operating segments profit and loss eliminated from the consolidated entities were \$13,526 and \$2,663, respectively.
- (iii) For the years ended December 31, 2019 and 2018, the operating segments assets eliminated from the consolidated entities were \$429,586 and \$472,990, respectively.
- (iv) For the years ended December 31, 2019 and 2018, the operating segments liabilities eliminated from the consolidated entities were \$263,307 and \$495,138, respectively.

(c) Products and services information

Sales to customers other than consolidated entities, classified by products and services, were as follows:

<b>Production</b>	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Liquid crystal display modules	\$ 1,609,932	1,747,333
Capacitive touch panel and capacitive touch panel module	2,425,872	1,036,628
Others	71,755	34,774
	<b>\$ 4,107,559</b>	<b>2,818,735</b>

(d) Geographic information

Sales to customers other than consolidated entities, classified by location of customers, were as follows:

<b>Geographic Area</b>	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Mainland China	\$ 371,185	603,708
Europe	2,259,059	1,138,019
USA	940,656	692,794
Japan	97,144	94,341
Taiwan	361,433	216,988
Korea	45,875	42,106
Others	32,207	30,779
	<b>\$ 4,107,559</b>	<b>2,818,735</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Geographic Area	2019.12.31	2018.12.31
Non-current assets, classified by location of assets, were as follows:		
Taiwan	\$ 377,280	342,961
Mainland China	20,233	10,629
USA	104,357	104,010
Europe	1,134	670
Others	1,769	39
	<b>\$ 504,773</b>	<b>458,309</b>

Non-current assets included in Property, plant and equipment, investment property, intangible assets and other assets, excluding financial instrument and deferred income tax assets.

(e) Major customers' information

	<b>For the years ended December 31</b>	
	2019	2018
A customer from domestic segment	\$ 404,362	399,157
B customer from domestic segment	1,135,284	8,090
	<b>\$ 1,539,646</b>	<b>407,247</b>