

**(English Translation of Financial Report Originally Issued
in Chinese)**

**EMERGING DISPLAY TECHNOLOGIES CORP. AND
SUBSIDIARIES**

**For the nine months ended September 30, 2019 and 2018
(With Independent Auditors' Review Report Thereon)**

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Independent Auditors' Review Report

The Board of Director's
Emerging Display Technologies Corp

Introduction

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2019 and 2018, and changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed issued into effect and by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$266,751 thousand and \$251,708 thousand, constituting 7.31% and 7.57% of consolidated total assets as of September 30, 2019 and 2018, respectively, total liabilities amounting to \$77,265 thousand and \$82,027 thousand, constituting 4.53% and 5.46% of consolidated total liabilities as of September 30, 2019 and 2018, respectively, and total comprehensive income amounting to \$2,755 thousand, \$12,093 thousand, \$14,487 thousand and \$14,649 thousand, constituting 1.08%, 26.93%, 5.64% and 15.37% of consolidated total comprehensive income for the three months and the nine months ended September 30, 2019 and 2018, respectively.

Qualified Conclusion

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Emerging Display Technologies Corp. and subsidiaries as of September 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ review report are Po Jen, Yang and Yen Ta, Su

KPMG

Taipei, Taiwan (Republic of China)

November 5, 2019

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.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Balance Sheets

September 30, 2019, December 31, 2018, and September 30, 2018

(Expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

Assets	September 30, 2019		December 31, 2018		September 30, 2018		Liabilities and Equity	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets :							Current liabilities :						
Cash and cash equivalents (Note 6(a))	\$ 1,213,941	33	1,029,113	30	1,029,905	31	Short-term borrowings (Note 6(m))	\$ 310,000	9	370,000	11	430,000	13
Financial assets at fair value through profit or loss, current (Note 6(b))	55,968	2	126,459	4	130,312	4	Financial liability at fair value through profit and loss (Note 6(b))	262	-	-	-	297	-
Financial assets at fair value through other comprehensive income, current (Note 6(c))	116,208	3	203,906	6	213,741	6	Notes payable	2,205	-	720	-	881	-
Accounts receivable, net (Note 6(d) and 6 (u))	638,351	18	468,844	14	502,940	15	Accounts payable	473,892	13	459,356	14	351,396	11
Other receivables (Notes 6(e) and 6 (y))	10,751	-	15,840	-	15,851	1	Other payables	275,082	8	237,415	7	190,991	6
Income tax assets	93	-	630	-	1,565	-	Income tax liabilities	49,243	1	14,199	-	30,323	1
Inventories (Note 6(f))	826,157	23	844,538	25	718,149	22	Lease liabilities, current (Note 6(o))	12,669	-	-	-	-	-
Other current assets (Notes 6(g) and 8)	73,540	2	55,271	2	33,260	1	Long-term borrowings, current portion (Notes 6(n) and 8)	399,388	11	-	-	79,760	2
Total current assets	2,935,009	81	2,744,601	81	2,645,723	80	Other current liabilities (Notes 6(u))	25,716	1	14,909	-	18,890	-
Non-current assets :							Total current liabilities	1,548,457	43	1,096,599	32	1,102,538	33
Financial assets at fair value through other comprehensive income, non-current (Note 6(c))	161,897	4	152,526	5	168,485	5	Non-current liabilities :						
Property, plant and equipment (Notes 6(i) ,8 and 9)	370,117	10	455,838	13	456,875	14	Long-term borrowings (Notes 6(n) and 8)	-	-	398,888	12	319,041	10
Right-of-use assets (Notes 6(j))	80,917	2	-	-	-	-	Deferred income tax liabilities	932	-	932	-	-	-
Investment property, net (Note 6(k))	59,981	2	-	-	-	-	Lease liabilities, non-current (Notes 6(o))	69,265	2	-	-	-	-
Intangible assets (Note 6(l))	1,844	-	2,471	-	3,086	-	Net defined benefit liabilities, non-current	86,285	2	88,226	3	81,162	2
Deferred income tax assets	28,167	1	28,132	1	38,440	1	Guarantee deposits received	606	-	264	-	262	-
Prepayments for business facilities	1,999	-	-	-	1,312	-	Other non-current liabilities — other	1,014	-	-	-	-	-
Other non-current financial assets (Notes 6(g) and 8)	7,704	-	10,500	-	10,466	-	Total non-current liabilities	158,102	4	488,310	15	400,465	12
Total non-current assets	712,626	19	649,467	19	678,664	20	Total liabilities	1,706,559	47	1,584,909	47	1,503,003	45
Total assets	\$ 3,647,635	100	3,394,068	100	3,324,387	100	Equity attributable to owners of parent (note 6(s)) :						
							Capital stock	1,624,076	45	1,744,076	51	1,794,076	54
							Capital surplus	4,397	-	28,226	1	27,585	1
							Retained earnings	509,414	14	355,707	10	343,908	10
							Other equity interest	(92,721)	(3)	(112,570)	(3)	(95,455)	(2)
							Treasury stock	(173,021)	(5)	(273,209)	(8)	(322,567)	(10)
							Total equity attributable to shareholders of the parent	1,872,145	51	1,742,230	51	1,747,547	53
							Non-controlling interests(Note 6(h))	68,931	2	66,929	2	73,837	2
							Total equity	1,941,076	53	1,809,159	53	1,821,384	55
							Total liabilities and equity	\$ 3,647,635	100	3,394,068	100	3,324,387	100

See accompanying notes to financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income**

For the three months and the nine months ended September 30, 2019 and 2018

(Expressed in thousands of New Taiwan dollars, Except Earnings Per Share)

(Reviewed, not audited)

	For the three months ended September 30				For the nine months ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 6(u))	\$ 1,179,102	100	747,559	100	3,082,673	100	2,112,467	100
Operating cost (Notes 6(f, q & v) and 12)	941,267	80	599,895	80	2,488,343	81	1,751,651	83
Gross profit	237,835	20	147,664	20	594,330	19	360,816	17
Operating expenses (Notes 6(d, q & v) ,7and 12) :								
Selling expenses	68,378	6	44,690	6	181,132	6	137,061	6
General and administrative expenses	37,905	3	32,293	4	102,167	3	93,833	4
Research and development expenses	32,092	3	28,245	4	82,839	3	75,863	4
Expected credit impairment loss (gain)	3,094	-	(92)	-	1,969	-	(147)	-
Total operating expenses	141,469	12	105,136	14	368,107	12	306,610	14
Net other income (Note 6(w))	-	-	672	-	-	-	1,812	-
Net operating income	96,366	8	43,200	6	226,223	7	56,018	3
Non-operating income and expenses(Notes 6(n),6(x)) :								
Other income	14,305	1	18,842	2	24,428	1	28,878	1
Other gains and losses	3,455	-	4,427	1	29,933	1	34,714	1
Finance cost	(3,420)	-	(3,006)	-	(10,661)	-	(9,387)	-
Total Non-operating income and expenses	14,340	1	20,263	3	43,700	2	54,205	2
Profit before income tax	110,706	9	63,463	9	269,923	9	110,223	5
Less: Income tax expense (Note 6(r))	18,279	1	13,541	2	43,251	2	17,655	1
Profit	92,427	8	49,922	7	226,672	7	92,568	4
Other comprehensive income :								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	4,223	-	(1,709)	-	32,149	1	4,059	-
Less : Income tax related to items that will not be reclassified subsequently (Note 6(r))	-	-	-	-	-	-	-	-
	4,223	-	(1,709)	-	32,149	1	4,059	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	(4,775)	-	(3,309)	-	(1,859)	-	(1,309)	-
Less: Income tax related to items that will be reclassified subsequently (Note 6(r))	-	-	-	-	-	-	-	-
	(4,775)	-	(3,309)	-	(1,859)	-	(1,309)	-
Other comprehensive income, net	(552)	-	(5,018)	-	30,290	1	2,750	-
Comprehensive income	\$ 91,875	8	44,904	7	256,962	8	95,318	4
Profit attributable to :								
Shareholders of the parent	\$ 92,217	8	49,583	7	226,534	7	92,455	4
Non-controlling interests	210	-	339	-	138	-	113	-
Net Profit	\$ 92,427	8	49,922	7	226,672	7	92,568	4
Comprehensive income attributable to :								
Shareholders of the parent	\$ 92,458	8	41,183	7	254,960	8	87,590	4
Non-controlling interests	(583)	-	3,721	-	2,002	-	7,728	-
Total comprehensive income	\$ 91,875	8	44,904	7	256,962	8	95,318	4
Earnings per share (Note 6(t))(expressed in New Taiwan dollars) :								
Basic earnings per share	\$ 0.62		0.32		1.52		0.58	
Diluted earnings per share	\$ 0.62		0.32		1.51		0.58	

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 Stockholders' Equity

For the nine months ended September 30, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

(Reviewed, not audited)

Equity attributable to shareholders of parent

	Retained earnings					Other equity interest			Treasury stock	Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
	Capital stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains(losses) on available-for-sale financial assets				
Balance at January 1, 2018	<u>\$ 1,834,076</u>	<u>23,873</u>	<u>40,391</u>	<u>123,710</u>	<u>161,563</u>	<u>(8,709)</u>	<u>-</u>	<u>(66,163)</u>	<u>(273,209)</u>	<u>1,835,532</u>	<u>82,030</u>	<u>1,917,562</u>
Effects of retrospective application	-	-	-	-	(8,314)	-	(79,429)	66,163	-	(21,580)	(14,820)	(36,400)
Balance at January 1, 2018 after adjustments	1,834,076	23,873	40,391	123,710	153,249	(8,709)	(79,429)	-	(273,209)	1,813,952	67,210	1,881,162
Profit	-	-	-	-	92,455	-	-	-	-	92,455	113	92,568
Other comprehensive income	-	-	-	-	-	(1,172)	(3,693)	-	-	(4,865)	7,615	2,750
Total comprehensive income	-	-	-	-	92,455	(1,172)	(3,693)	-	-	87,590	7,728	95,318
Appropriation and distribution of retained earnings :												
Legal reserve	-	-	5,431	-	(5,431)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(68,349)	-	-	-	-	(68,349)	-	(68,349)
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	(89,236)	(89,236)	-	(89,236)
Retirement of treasury stock	(40,000)	122	-	-	-	-	-	-	39,878	-	-	-
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 at fair value through other comprehensive income	-	-	-	-	2,452	-	(2,452)	-	-	-	-	-
Balance at September 30, 2018	<u>\$ 1,794,076</u>	<u>27,585</u>	<u>45,822</u>	<u>109,212</u>	<u>188,874</u>	<u>(9,881)</u>	<u>(85,574)</u>	<u>-</u>	<u>(322,567)</u>	<u>1,747,547</u>	<u>73,837</u>	<u>1,821,384</u>
Balance at January 1, 2019	<u>\$ 1,744,076</u>	<u>28,226</u>	<u>45,822</u>	<u>109,212</u>	<u>200,673</u>	<u>(8,271)</u>	<u>(104,299)</u>	<u>-</u>	<u>(273,209)</u>	<u>1,742,230</u>	<u>66,929</u>	<u>1,809,159</u>
Profit	-	-	-	-	226,534	-	-	-	-	226,534	138	226,672
Other comprehensive income	-	-	-	-	-	(1,729)	30,155	-	-	28,426	1,864	30,290
Total comprehensive income	-	-	-	-	226,534	(1,729)	30,155	-	-	254,960	2,002	256,962
Appropriation and distribution of retained earnings :												
Legal reserve	-	-	11,193	-	(11,193)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(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 at fair value through other comprehensive income	-	-	-	-	8,577	-	(8,577)	-	-	-	-	-
Balance at September 30, 2019	<u>\$ 1,624,076</u>	<u>4,397</u>	<u>57,015</u>	<u>151,307</u>	<u>301,092</u>	<u>(10,000)</u>	<u>(82,721)</u>	<u>-</u>	<u>(173,021)</u>	<u>1,872,145</u>	<u>68,931</u>	<u>1,941,076</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 nine months ended September 30, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

	For the nine months ended September 30	
	2019	2018
Cash flows from (used in) operating activities :		
Profit before tax	\$ 269,923	110,223
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	63,284	48,028
Amortization expense	796	1,390
Expected credit impairment loss (reversal gain)	1,969	(147)
Loss (gain) on financial assets or liabilities at fair value through profit or loss	(6,588)	3,584
Interest expense	10,661	9,387
Interest income	(14,264)	(12,352)
Dividend income	(8,716)	(12,926)
Gain on disposal of property, plant and equipment	(558)	(2,826)
Unrealized foreign exchange gain	(3,962)	(33,787)
Total adjustments to reconcile profit	<u>42,622</u>	<u>351</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Increase in accounts receivable	(170,481)	(5,050)
Decrease in other receivable	5,411	659
Decrease in inventories	18,447	63,262
Decrease (increase) in other current assets	(18,155)	18,223
Total net changes in operating assets	<u>(164,778)</u>	<u>77,094</u>
Net changes in operating liabilities :		
Increase (decrease) in notes payable	1,485	(260)
Increase in accounts payable	17,310	4,669
Increase (decrease) in other payable	37,133	(11,093)
Increase (decrease) in other current liabilities	10,817	(1,265)
Decrease in net defined benefit liability	(1,941)	(1,836)
Increase in other non-current liabilities	1,014	-
Total net changes in operating liabilities	<u>65,818</u>	<u>(9,785)</u>
Total net changes in operating assets and liabilities	<u>(98,960)</u>	<u>67,309</u>
Total adjustments	<u>(56,338)</u>	<u>67,660</u>
Cash inflow generated from (used in) operating activities	213,585	177,883
Interest received	13,941	12,632
Dividends received	8,716	12,838
Interest paid	(10,016)	(8,706)
Income taxes paid	(7,669)	(11,383)
Net cash flows from (used in) operating activities	<u>218,557</u>	<u>183,264</u>
Cash flows from (used in) investing activities :		
Acquisition of financial assets at fair value through profit or loss	(64,260)	(58,780)
Proceeds from disposal of financial assets at fair value through profit or loss	141,601	189,195
Acquisition of financial assets at fair value through other comprehensive income	-	(98,356)
Proceeds from disposal of financial assets at fair value through other comprehensive income	113,178	22,405
Prepayments on long-term equity investment	-	(2,700)
Acquisition of property, plant and equipment	(25,200)	(100,928)
Proceeds from disposal of property, plant, equipment	558	3,351
Acquisition of intangible assets	(169)	(935)
Increase (decrease) in other financial assets	(16)	1,411
Increase in prepayments on purchase of equipment	(1,999)	-
Net cash flows from (used in) investing activities	<u>163,693</u>	<u>(45,337)</u>
Cash flows from (used in) financing activities :		
Decrease in short-term borrowings	(60,000)	(127,000)
Increase in guarantee deposits received	340	223
Cash dividends	(74,307)	(65,860)
Payments to acquire treasury shares	(50,738)	(89,236)
Repayments of lease liabilities	(9,611)	-
Net cash flows from (used in) financing activities	<u>(194,316)</u>	<u>(281,873)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,106)	25,131
Net increase (decrease) in cash and cash equivalents	184,828	(118,815)
Cash and cash equivalents at beginning of period	1,029,113	1,148,720
Cash and cash equivalents at end of period	<u>\$ 1,213,941</u>	<u>1,029,905</u>

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

For the nine months ended September 30, 2019 and 2018

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

(Reviewed, not audited)

(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 November 5, 2019.

(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
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19" Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the 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".

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

(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(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(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-i.e. These leases are 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 :

	January 1, 2019
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	<u>78,912</u>
	<u>\$ 129,204</u>
Lease liability recognized on January 1, 2019	<u>\$ 90,510</u>

(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 :

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	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 :

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform "	January 1, 2020

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(4) Summary of Significant Accounting Policies

(a) Statement of compliance

The consolidated financial statements have been prepared in conforming with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed by FSC. These consolidated financial statements do not include all of the information required by the Regulations and by the IFRS endorsed by the FSC for full annual consolidated financial statements.

Except as described below, the significant accounting policies for the consolidated financial statement applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 4 of 2018 consolidated financial statement for detail information.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are as follows :

Name of investor	Name of the subsidiary	Business Activity	Percentage ownership			Remarks
			2019.9.30	2018.12.31	2018.9.30	
The Company	Emerging Display Technologies Corp., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	Note
The Company	EDT-Europe ApS	Customer service and business support	100.00%	100.00%	100.00%	Note
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	Note
The Company	Emerging Display Technologies Korea	Business support	100.00%	100.00%	100.00%	Note
The Company	EDT-Japan Corp.	Customer service and business support	100.00%	100.00%	100.00%	Note
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	Note
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	5.90%	Note
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	11.41%	Note
Emerging Display International (Samoa) Corp	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	Note

Note: Quarterly financial reports are unaudited for non-major subsidiaries.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(c) 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 rightof-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.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Rental revenue-operating leases".

(d) Investment Property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes and includes the real estate interest held by the lessor. Investment property is measured at cost on initial recognition and subsequently at fair value.

The depreciable amount of an asset is determined after initial measurement. Depreciation methods, useful lives, and residual values are measured in conformity with the regulation of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and other cost or capitalized borrowing cost directly attributed to the restore of investment property to a usable status.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Income tax

The Group prepared income tax in conforming with interim income tax measurement and disclosure of paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense is calculated based on an interim period's pre-tax income multiplied by best estimation of the annual income tax rate expected for the full financial year and recognized as current income tax expense. Current income tax expense and deferred tax expense are recognized based on the prorated estimated annual current income tax expense and deferred tax.

When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in the period at once.

Income tax expense is directly recognized in equity items or other comprehensive items which is the temporary difference between book value of assets and liabilities at reporting date and tax basis to measure by using appropriate tax of expected realize assets and settle the liabilities.

(f) Rent income

Rent income from investment property was recognized on a straight-line basis over the lease term, and lease incentives given were considered to be part of the total lease income, which was recognized as a decrease in rental income on a straight-line basis over the lease period. Profit from subleasing investment property were recognized as "rent income" under non-operating income and expenses.

(g) Employee benefit

Interim defined benefit pension is calculated on a year-to-date basis using the actuarially determined pension cost rate adjusted for significant market fluctuations, curtailments, settlement or other one-time events.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(5) Critical Accounting Judgement and Key Sources of Estimation and Uncertainty

Management team prepared quarterly consolidated financial statements in conforming with IAS 34, “Interim Financial Reporting,” and make judgement, estimation and assumption and the reporting amount will be affected by accounting policies, assets, liabilities, revenue and expense. The actual outcome might be different from the estimation.

Information about assumptions and estimation uncertainties have significant risk of resulting in material adjustments within the next year :

Inventory Valuation

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 offsetted 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 accounting items

The explanation of significant accounting items of this quarterly consolidated financial statements had no significant difference compared with the Group consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of 2018 consolidated financial statements.

(a) Cash and cash equivalents

	2019.9.30	2018.12.31	2018.9.30
Cash and cash equivalents	\$ 362	268	247
Demand deposits	369,580	220,110	286,790
Check deposits	562	440	992
Time deposits	811,472	777,363	711,351
Repurchase agreement	31,965	30,932	30,525
Total	\$ 1,213,941	1,029,113	1,029,905

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

	2019.9.30	2018.12.31	2018.9.30
Current financial assets mandatorily measured at fair value through profit or loss :			
Open-end mutual funds	\$ 55,616	126,080	130,206
Swap Contract	352	379	106
Total	\$ 55,968	126,459	130,312

	2019.9.30	2018.12.31	2018.9.30
Current financial liabilities measured at fair value through profit or loss :			
Swap Contract	\$ 262	-	297

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

The abovementioned financial assets were not pledged as collateral.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 :

Forward exchange contract :

2019.9.30			
	Contract amount		
	(in thousand)	Currency	Maturity period
Swap contract	USD 6,000	TWD to USD	2019.10.29~2019.12.31
2018.12.31			
	Contract amount		
	(in thousand)	Currency	Maturity period
Swap contract	USD 3,000	TWD to USD	2019.01.22~2019.03.04
2018.9.30			
	Contract amount		
	(in thousand)	Currency	Maturity period
Swap contract	USD 3,000	TWD to USD	2018.11.13~2018.12.28

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

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

	2019.9.30	2018.12.31	2018.9.30
Equity instruments at fair value through other comprehensive income-current :			
Common stocks listed on domestic markets-current :			
Innolux Corp.	\$ 7,571	11,150	12,159
Fubon Financial Holding Co., Ltd	13,365	14,115	15,540
E.SUN Financial Holding Co., Ltd.	-	29,864	33,504
Radiant Opto Electronics Corp.	-	21,125	17,250
Taiwan Cement Corp., Ltd.	14,002	11,748	13,563
Synnex Technology International Co., Ltd.	16,625	16,671	17,839
King Yuan Electronics Co., Ltd.	-	24,854	21,807
Nan Ya Plastics Corporation	14,637	15,855	17,808
Pegatron Co., Ltd.	11,664	11,102	13,198
Mega Financial Holding Co., Ltd	-	14,403	15,263
CoAsia Electronics Corp.	5,695	4,265	5,431

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2019.9.30	2018.12.31	2018.9.30
Shian Yih Electronic Co., Ltd.	31,937	28,059	29,610
AGV Products Corporation	712	695	769
Total	\$ 116,208	203,906	213,741
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	10,000
Chenfeng Optronics Corp.	145,180	140,280	157,640
Total	161,012	151,668	167,640
Preference stocks listed on domestic markets- non-current :			
Fubon Financial Holding Co., Ltd	885	858	845
Total	\$ 161,897	152,526	168,485

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 three months and nine months ended September 30, 2019 and 2018, the Group has recognized dividend income \$8,716, \$12,236, \$8,716 and \$12,926 from the abovementioned equity instruments designated at fair value through other comprehensive income, respectively.

For the nine months ended September 30, 2019 and 2018, the Group with the objective of investment and financial management had sold financial assets at fair value of \$113,178 and \$22,496, and accumulated gain on disposal of investments were \$8,577 and \$2,452, which had been reclassified from other equity interest to retained earnings, respectively.

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 September 30, 2019, December 31 and September 30, 2018, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$7,571, \$32,275 and \$29,409, respectively.

(d) Accounts receivable

	2019.9.30	2018.12.31	2018.9.30
Accounts receivables-measured at amortized cost	\$ 660,654	489,171	521,865
Allowance for impairment	(22,303)	(20,327)	(18,925)
	\$ 638,351	468,844	502,940

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 :

2019.9.30			
	Carrying amount of Accounts Receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 527,523	0.02%	126
Overdue less than 90 days	108,701	0.24%	261
Overdue 91~180 days	2,515	0.04%	1
Overdue 181~270 days	3,144	100.00%	3,144
Overdue 271~365 days	-	-	-
Overdue over 365 days	18,771	100.00%	18,771
	\$ 660,654		22,303
2018.12.31			
	Carrying amount of Accounts Receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
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	19,694	100.00%	19,694
	\$ 489,171		20,327
2018.9.30			
	Carrying amount of Accounts Receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 421,405	-	-
Overdue less than 90 days	79,645	-	-
Overdue 91~180 days	523	0.24%	2
Overdue 181~270 days	1,521	10.00%	152
Overdue 271~365 days	-	-	-
Overdue over 365 days	18,771	100.00%	18,771
	\$ 521,865		18,925

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	For the nine months ended September 30	
	2019	2018
Balance at January 1	\$ 20,327	22,644
Recognition (reversal) of impairment loss	1,969	(147)
Effect of changes in foreign currency exchange rates	7	1
Written off unrecoverable amount	-	(3,573)
Ending balance	\$ 22,303	18,925

The abovementioned financial assets were not pledged as collateral.

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

(e) Other receivables

	2019.9.30	2018.12.31	2018.9.30
Other receivables	\$ 10,751	15,840	15,851
Allowance for impairment	-	-	-
	\$ 10,751	15,840	15,851

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

(f) Inventories

	2019.9.30	2018.12.31	2018.9.30
Raw materials and supplies	\$ 248,355	276,384	255,639
Work in process	286,774	284,561	231,445
Finished goods	280,968	273,436	217,806
Inventories in transit	10,060	10,157	13,259
	\$ 826,157	844,538	718,149

The details of cost of sales are as follows :

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Reclassification to cost of sales and expenses	\$ 924,233	580,205	2,422,927	1,692,623
Inventory loss of write-down (gain on reversal of inventory)	292	(813)	(4,306)	(14,471)
Unamortized manufacturing expenses	3,339	6,429	14,133	20,224
Loss on scrap	17,650	17,674	68,235	63,510
Others	(4,247)	(3,600)	(12,646)	(10,235)
	\$ 941,267	599,895	2,488,343	1,751,651

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 collateral.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(g) Other current assets

The details of other current assets are as follows :

	2019.9.30	2018.12.31	2018.9.30
Income tax refund receivable	\$ 3,021	2,217	2,323
Prepayment for purchases	55,311	30,987	8,081
Prepaid expense	4,794	6,110	5,288
Prepaid sales tax	4,138	11,458	9,971
Restricted time deposits	2,110	2,102	5,116
Refundable deposits	7,131	7,234	7,204
Prepaid investment	-	2,700	2,700
Assets for right to recover product to be returned	4,739	2,963	3,043
	\$ 81,244	65,771	43,726
Book as :			
Other current assets	\$ 73,540	55,271	33,260
Other financial assets – non-current	7,704	10,500	10,466
	\$ 81,244	65,771	43,726

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

(h) 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		
		2019.9.30	2018.12.31	2018.9.30
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	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 :

	2019.9.30	2018.12.31	2018.9.30
Current asset	\$ 10,140	10,206	10,249
Non-current asset	124,440	120,240	135,120
Current liability	-	(50)	-
Net asset	\$ 134,580	130,396	145,369
Non-controlling equity closing book amount	\$ 63,926	61,939	69,051

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	July to September, 2019	July to September, 2018	January to September, 2019	January to September, 2018
Operating revenue	\$ -	-	-	-
Net loss	\$ (6)	(6)	(17)	(15)
Other comprehensive income	(1,260)	7,440	4,200	16,320
Comprehensive income	<u>\$ (1,266)</u>	<u>7,434</u>	<u>4,183</u>	<u>16,305</u>
Loss attributable to non-controlling interest	<u>\$ (3)</u>	<u>(3)</u>	<u>(8)</u>	<u>(7)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (601)</u>	<u>3,532</u>	<u>1,987</u>	<u>7,745</u>

	January to September, 2019	January to September, 2018
Cash flow from operating activities	\$ (67)	(198)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	(2,317)
Net decrease in cash and cash equivalents	<u>\$ (67)</u>	<u>(2,515)</u>

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

	2019.9.30	2018.12.31	2018.9.30
Current asset	\$ 179,936	133,725	125,064
Non-current asset	24,485	13,225	13,060
Current liability	(82,564)	(28,132)	(24,166)
Non-current liability	(2,676)	-	-
Net asset	<u>\$ 119,181</u>	<u>118,818</u>	<u>113,958</u>
Non-controlling equity closing book amount	<u>\$ 5,005</u>	<u>4,990</u>	<u>4,786</u>

	July to September, 2019	July to September, 2018	January to September, 2019	January to September, 2018
Operating revenue	<u>\$ 53,301</u>	<u>81,061</u>	<u>157,163</u>	<u>207,495</u>
Net profit(loss)	\$ 5,072	8,117	3,471	2,847
Other comprehensive income	(4,631)	(3,623)	(3,107)	(3,262)
Comprehensive income	<u>\$ 441</u>	<u>4,494</u>	<u>364</u>	<u>(415)</u>
Profit (loss) attributable to non-controlling interest	<u>\$ 213</u>	<u>342</u>	<u>146</u>	<u>120</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 18</u>	<u>189</u>	<u>15</u>	<u>(17)</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to September, 2019	January to September, 2018
Cash flow from operating activities	\$ 13,532	6,818
Cash flow from investing activities	(4,917)	(1,104)
Cash flow from financing activities	(4,511)	-
Effects of changes in foreign exchange rates	(311)	(519)
Net increase in cash and cash equivalents	\$ 3,793	5,195

(i) Property, plant and equipment

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

	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Cost or deemed cost :						
Balance at January 1, 2019	\$ 74,709	1,026,177	2,398,090	28,164	148,931	3,676,071
Additions	-	3,666	2,491	681	19,379	26,217
Reclassification to investment property	(50,323)	(16,258)	-	-	-	(66,581)
Reclassification	-	30,113	4,939	-	(35,052)	-
Disposals	-	-	(19,706)	(244)	(2,578)	(22,528)
Effect of movements in exchange rates	1,706	(674)	(5,350)	(66)	(215)	(4,599)
Balance at September 30, 2019	\$ 26,092	1,043,024	2,380,464	28,535	130,465	3,608,580
Balance at January 1, 2018	\$ 47,370	993,922	2,570,386	31,291	98,296	3,741,265
Additions	25,659	19,555	5,431	253	61,312	112,210
Reclassification	-	2,938	6,956	-	(9,894)	-
Disposals	-	(1,695)	(6,635)	(3,648)	-	(11,978)
Effect of movements in exchange rates	1,218	(887)	(6,406)	62	(166)	(6,179)
Balance at September 30, 2018	\$ 74,247	1,013,833	2,569,732	27,958	149,548	3,835,318
Depreciation :						
Balance at January 1, 2019	\$ -	790,562	2,332,102	26,642	70,927	3,220,233
Depreciation for the year	-	12,191	19,373	570	20,446	52,580
Reclassification to investment property	-	(5,419)	-	-	-	(5,419)
Disposals	-	-	(19,706)	(244)	(2,578)	(22,528)
Effect of movements in exchange rates	-	(1,052)	(5,161)	(69)	(121)	(6,403)
Balance at September 30, 2019	\$ -	796,282	2,326,608	26,899	88,674	3,238,463
Balance at January 1, 2018	\$ -	766,947	2,486,900	29,346	66,661	3,349,854
Depreciation for the year	-	10,895	23,310	647	13,176	48,028
Disposals	-	(1,695)	(6,574)	(3,648)	-	(11,917)
Effect of movements in exchange rates	-	(1,135)	(6,328)	53	(112)	(7,522)
Balance at September 30, 2018	\$ -	775,012	2,497,308	26,398	79,725	3,378,443

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	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Carrying amounts :						
Balance at January 1, 2019	\$ <u>74,709</u>	<u>235,615</u>	<u>65,988</u>	<u>1,522</u>	<u>78,004</u>	<u>455,838</u>
Balance at September 30, 2019	\$ <u>26,092</u>	<u>246,742</u>	<u>53,856</u>	<u>1,636</u>	<u>41,791</u>	<u>370,117</u>
Balance at January 1, 2018	\$ <u>47,370</u>	<u>226,975</u>	<u>83,486</u>	<u>1,945</u>	<u>31,635</u>	<u>391,411</u>
Balance at September 30, 2018	\$ <u>74,247</u>	<u>238,821</u>	<u>72,424</u>	<u>1,560</u>	<u>69,823</u>	<u>456,875</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).

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

(j) Right-of-use assets

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

	Land	Building and construction	Transportation equipment	Total
Right-of-use assets cost :				
Balance at January 1, 2019	\$ 67,226	23,065	219	90,510
Additions	-	1,577	-	1,577
Effect of changes in foreign exchange rates	-	(721)	2	(719)
Balance at September 30, 2019	\$ <u>67,226</u>	<u>23,921</u>	<u>221</u>	<u>91,368</u>

Depreciation :

Balance at January 1, 2019	\$ -	-	-	-
Depreciation for the period	2,068	8,468	100	10,636
Effect of changes in foreign exchange rates	-	(185)	-	(185)
Balance at September 30, 2019	\$ <u>2,068</u>	<u>8,283</u>	<u>100</u>	<u>10,451</u>

Carrying amounts :

Balance at September 30, 2019	\$ <u>65,158</u>	<u>15,638</u>	<u>121</u>	<u>80,917</u>
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The Group leases offices and warehouses, and factory equipment, under operating leases, for the nine months ended September 30, 2018; please refer to note 6(p).

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(k) Investment Property

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

	Land	Building and construction	Total
Cost or deemed cost :			
Balance at January 1, 2019	\$ -	-	-
Reclassification from property, plant and equipment	50,323	16,258	66,581
Effect of changes in foreign exchange rates	(915)	(296)	(1,211)
Balance at September 30, 2019	<u>\$ 49,408</u>	<u>15,962</u>	<u>65,370</u>
Depreciation :			
Balance at January 1, 2019	\$ -	-	-
Depreciation for the period	-	68	68
Reclassification from property, plant and equipment	-	5,419	5,419
Effect of changes in foreign exchange rates	-	(98)	(98)
Balance at September 30, 2019	<u>\$ -</u>	<u>5,389</u>	<u>5,389</u>
Carrying amounts :			
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2019	<u>\$ 49,408</u>	<u>10,573</u>	<u>59,981</u>
Fair value :			
Balance at September 30, 201			<u>\$ 68,703</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. The lease term was four years. The lease contract stipulates that the lessee had an extended period option upon expiry.

Rental income of leased investment property has a fixed amount.

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 September 30, 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 September 30, 2019, the investment property were not pledged as collateral.

(l) Intangible assets

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

	Patents	Computer software cost	Total
Book value detail as below :			
Balance at January 1, 2019	<u>\$ 1,703</u>	<u>768</u>	<u>2,471</u>
Balance at September 30, 2019	<u>\$ 1,505</u>	<u>339</u>	<u>1,844</u>
Balance at January 1, 2018	<u>\$ 2,002</u>	<u>1,538</u>	<u>3,540</u>
Balance at September 30, 2018	<u>\$ 1,812</u>	<u>1,274</u>	<u>3,086</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of intangible assets for the nine months ended September, 2019 and 2018. Please refer Note 12(a) for amortization amount. Other related information, please refer to Note 6(n) of 2018 consolidated financial statements.

Intangible assets were not pledged as collateral.

(m) Short-term borrowings

The details of short-term borrowings were as follows :

	2019.9.30	2018.12.31	2018.9.30
Unsecured bank borrowings	\$ 310,000	370,000	430,000
Unused lines of credit	\$ 1,370,219	1,315,911	1,250,926
Range of interest rates	0.95%~1.05%	0.95%~1.05%	0.95%~1.05%

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's acceptance credit for purchases of raw materials amounted to \$6,126, \$6,374 and \$4,988, respectively.

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

(n) Long-term borrowings

The details of long-term borrowings were as follows :

	2019.9.30	2018.12.31	2018.9.30
Secured bank loans	\$ 400,000	400,000	400,000
Less: discount on long-term borrowings	(612)	(1,112)	(1,199)
Total	\$ 399,388	398,888	398,801
Book as			
Current portion of long-term borrowings	\$ 399,388	-	79,760
Long-term borrowings	-	398,888	319,041
Total	\$ 399,388	398,888	398,801
Unused long-term credit lines	\$ 240,000	400,000	400,000
Range of interest rates	1.8085%	1.8019%	1.8013%

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 Company will repay the total borrowing upon maturity. The Company borrowed \$400,000 thousand at August 15, 2017. For the related information and concerned restricted terms, please refer to Note 6(p) of 2018 consolidated financial statements.

The above borrowings was originally expected to be repaid in advance amounting to 79,760 was reclassified as current portion of long-term borrowings as of September 30, 2018. In consideration of the working capital management, it was decided to recycle the credit within the credit limit period. On December 31, 2018, the amount was reclassified as long-term borrowings in accordance with the syndicated loan agreement.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(o) Lease liabilities

The details of lease liabilities were as follows :

	2019.9.30
Current	<u>\$ 12,669</u>
Non-Current	<u>\$ 69,265</u>

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

The amounts recognized in profit or loss were as follows :

	July to September, 2019	January to September, 2019
Interest on lease liabilities	<u>\$ 777</u>	<u>2,443</u>
Expenses relating to short-term leases	<u>\$ 407</u>	<u>1,002</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 62</u>	<u>221</u>

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

	January to September, 2019
Total cash outflow for leases	<u>\$ 13,526</u>

(i) Lease of land, Building and construction

As of September 30, 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 equipments 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 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 for the nine months ended September, 2018. Please refer to Note 6(p).

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(p) Operating lease

- (i) Leases entered into as lessee

There was no increase for operating lease for the nine months ended September 30, 2018. Please refer to Note 6(q) of the 2018 consolidated financial statements.

- (ii) Leases entered into as Lessor

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. Please refer to Note 6 (k) for investment property.

The maturity analysis of lease payments was the total undiscounted lease payments to be received in the future disclosed as below :

	<u>2019.9.30</u>
Less than one year	\$ 3,113
Between one and two years	3,848
Between two and four years	<u>8,045</u>
Undiscounted total lease payments	<u><u>\$ 15,006</u></u>

(q) Employee benefits

- (i) Defined benefit plan

There were no significant market fluctuations, curtailments, settlement or other one-time events after the end the previous financial year, the pension cost measurement and disclosure of interim pension cost were calculated based on actuarial adopted on December 31, 2018 and 2017.

Cost recognized in expense was as below :

	<u>July to</u> <u>September, 2019</u>	<u>July to</u> <u>September, 2018</u>	<u>June to</u> <u>September, 2019</u>	<u>June to</u> <u>September, 2018</u>
Operating cost	\$ 327	365	989	1,098
Selling expenses	16	16	45	49
General and administrative expenses	49	52	143	153
Research and development expenses	<u>39</u>	<u>41</u>	<u>115</u>	<u>122</u>
	<u><u>\$ 431</u></u>	<u><u>474</u></u>	<u><u>1,292</u></u>	<u><u>1,422</u></u>

- (ii) Defined Contribution Plan

Cost recognized in expense was as below :

	<u>July to</u> <u>September, 2019</u>	<u>July to</u> <u>September, 2018</u>	<u>June to</u> <u>September, 2019</u>	<u>June to</u> <u>September, 2018</u>
Operating cost	\$ 6,030	5,583	17,340	16,920
Selling expenses	1,319	1,366	3,865	3,897
General and administrative expenses	548	487	1,604	1,539
Research and development expenses	<u>678</u>	<u>586</u>	<u>1,934</u>	<u>1,742</u>
	<u><u>\$ 8,575</u></u>	<u><u>8,022</u></u>	<u><u>24,743</u></u>	<u><u>24,098</u></u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(r) Income tax

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by management.

The amounts of income tax expense were as follows :

	July to September, 2019	July to September, 2018	June to September, 2019	June to September, 2018
Current tax expense				
Current	\$ 18,283	13,541	43,283	23,380
Deferred income tax benefit				
Origination and reversal of temporary differences	(4)	-	(32)	-
Change in tax rate	-	-	-	(5,725)
	(4)	-	(32)	(5,725)
Income tax expense	\$ 18,279	13,541	43,251	17,655

For the nine months ended September 30, 2019 and 2018, no income tax was recognized directly in equity.

The Group'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 equity

The Group had no share capital change for the nine months ended September, 2019 and 2018 except below statement. Please refer to Note 6(t) of 2018 consolidated financial statements for detail information.

(i) Capital Stock

As of September 30, 2019, December 31 and September 30, 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, outstanding shares of stock are 162,408,174,408 thousand shares and 179,408 thousand shares, respectively. 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, 153,613 thousand shares and 158,613 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows :

	2019.9.30	2018.12.31	2018.9.30
Treasury stock	\$ 4,397	28,226	27,585

(iii) 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 dividend per share were as follows :

	2018	2017
Cash dividend to shareholders (TWD) :		
Cash	\$ 0.5	0.40827680 (Note)

Note: The Company's shareholders meeting resolved to pay dividends TWD0.4 per share but adjusted to TWD0.40827680 per share due to treasury stock affected outstanding shares.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(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	\$ (8,271)	(104,299)	-	(112,570)
– Changes of the Group	(1,729)	30,155	-	28,426
– Disposal of investments in equity instrument at FVOCI	-	(8,577)	-	(8,577)
Balance at September 30, 2019	<u>\$ (10,000)</u>	<u>(82,721)</u>	<u>-</u>	<u>(92,721)</u>
Balance at January 1, 2019	\$ (8,709)	-	(66,163)	(74,872)
Adjustments on initial application of new standards	-	(79,429)	66,163	(13,266)
Balance at January 1, 2018 after adjustments	(8,709)	(79,429)	-	(88,138)
– Changes of the Group	(1,172)	(3,693)	-	(4,865)
– Disposal of investments in equity instrument at FVOCI	-	(2,452)	-	(2,452)
Balance at September 30, 2018	<u>\$ (9,881)</u>	<u>(85,574)</u>	<u>-</u>	<u>(95,455)</u>

(v) Treasury stock

The changes of treasury stocks were as follows :

(Expressed in thousand of shares)

<u>Reason to buy back</u>	<u>Beginning Shares</u>	<u>Increase shares</u>	<u>Decrease shares</u>	<u>Ending share</u>
January to September, 2019				
Transfer to employees	<u>12,000</u>	<u>5,000</u>	<u>12,000</u>	<u>5,000</u>
January to September, 2018				
Maintain the Company's credit and stockholders' equity	-	9,000	(4,000)	5,000
Transfer to employees	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
	<u>12,000</u>	<u>9,000</u>	<u>(4,000)</u>	<u>17,000</u>

For the nine months ended September 30, 2019 and 2018, the Company's Board of Directors approved to repurchase its stock held on January 8, 2019, March 2, 2018 and August 3, 2018, respectively, were completed. Resolution passed during the board meeting held on March 8, 2019 and May 4, 2018, respectively, to retire 12,000 and 4,000 thousand shares of its treasury stock. The related registration procedures had been finished.

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 shares 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 shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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As of September 30, 2019, December 31, 2018 and September 30, 2018, the cost that Company repurchased treasury shares was \$50,739, \$150,927 and \$200,285, respectively.

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. For the nine months ended September, 2019 and 2018, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose any of the Company's shares. As of September 30, 2019, December 31, 2018 and September 30, 2018, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock, and their market values amounted to \$157,859, \$83,547 and \$83,195, respectively. The carrying amount recognized as treasury shares was \$122,282.

(t) Earnings per share

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

	July to September, 2019	July to September, 2018	June to September, 2019	June to September, 2018
Basic earnings per share				
Profit attributable to owners of parent	<u>\$ 92,217</u>	<u>49,583</u>	<u>226,534</u>	<u>92,455</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	<u>148,613</u>	<u>156,775</u>	<u>148,927</u>	<u>159,215</u>
Expressed in New Taiwan dollars	<u>\$ 0.62</u>	<u>0.32</u>	<u>1.52</u>	<u>0.58</u>
Diluted earnings per share				
Profit attributable to owners of parent	<u>\$ 92,217</u>	<u>49,583</u>	<u>226,534</u>	<u>92,455</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	148,613	156,775	148,927	159,215
Effect of potentially dilutive ordinary stock:				
– Employee bonus (expressed in thousands of shares)	<u>809</u>	<u>352</u>	<u>934</u>	<u>709</u>
Weighted-average number of ordinary shares- diluted (expressed in thousands of shares)	<u>149,422</u>	<u>157,127</u>	<u>149,861</u>	<u>159,924</u>
Expressed in New Taiwan dollars	<u>\$ 0.62</u>	<u>0.32</u>	<u>1.51</u>	<u>0.58</u>

In computing above basic earnings (loss) per share of ordinary stock for the nine months ended September 30, 2019 and 2018, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Company's subsidiaries as treasury stock.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(u) Revenue from Contracts with Customers

(i) Disaggregation of revenue

	July to September, 2019			
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 682,410	-	44	682,454
USA	84	232,527	-	232,611
Others	181,882	81,856	299	264,037
Total	\$ 864,376	314,383	343	1,179,102
Major products :				
Liquid crystal display modules	\$ 181,340	212,129	-	393,469
Capacitive touch panel and capacitive touch panel module	658,714	100,560	-	759,274
Others	24,322	1,694	343	26,359
Total	\$ 864,376	314,383	343	1,179,102
	July to September, 2018			
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 309,089	1,021	-	310,110
USA	-	124,852	-	124,852
Others	110,820	201,777	-	312,597
Total	\$ 419,909	327,650	-	747,559
Major products :				
Liquid crystal display modules	\$ 229,383	240,863	-	470,246
Capacitive touch panel and capacitive touch panel module	180,104	85,668	-	265,772
Others	10,422	1,119	-	11,541
Total	\$ 419,909	327,650	-	747,559

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	January to September, 2019			
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 1,681,496	2,869	277	1,684,642
USA	84	713,056	-	713,140
Others	448,388	236,141	362	684,891
Total	<u><u>\$ 2,129,968</u></u>	<u><u>952,066</u></u>	<u><u>639</u></u>	<u><u>3,082,673</u></u>

Major products :

Liquid crystal display modules	\$ 655,253	604,342	-	1,259,595
Capacitive touch panel and capacitive touch panel module	1,431,188	341,828	-	1,773,016
Others	43,527	5,896	639	50,062
Total	<u><u>\$ 2,129,968</u></u>	<u><u>952,066</u></u>	<u><u>639</u></u>	<u><u>3,082,673</u></u>

	January to September, 2018			
	Domestic	North America	Other perating department	Total
Primary geographical markets:				
Europe	\$ 881,884	4,585	216	886,685
USA	-	450,788	-	450,788
Others	373,743	401,214	37	774,994
Total	<u><u>\$ 1,255,627</u></u>	<u><u>856,587</u></u>	<u><u>253</u></u>	<u><u>2,112,467</u></u>

Major products :

Liquid crystal display modules	\$ 731,502	595,307	-	1,326,809
Capacitive touch panel and capacitive touch panel module	494,828	259,721	-	754,549
Others	29,297	1,559	253	31,109
Total	<u><u>\$ 1,255,627</u></u>	<u><u>856,587</u></u>	<u><u>253</u></u>	<u><u>2,112,467</u></u>

(ii) **Contract balance**

	2019.9.30	2018.12.31	2018.9.30
Accounts receivable (including related parties)	\$ 660,654	489,171	521,865
Less: allowance for impairment	(22,303)	(20,327)	(18,925)
Total	<u><u>\$ 638,351</u></u>	<u><u>468,844</u></u>	<u><u>502,940</u></u>
Contract liability—Unearned revenue (recognized in other current liabilities)	<u><u>\$ 13,721</u></u>	<u><u>5,348</u></u>	<u><u>9,474</u></u>

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

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Notes to consolidated financial statements

The amount of revenue recognized for the three months and nine months ended September 30, 2019 and 2018, that was included in the contract liability balance at the beginning of the period were \$0, \$2,375, \$1,577 and \$9,195 respectively.

(v) 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 Group and its affiliates.

Employees, directors' and supervisors' remuneration were estimated as follows :

	<u>July to September, 2019</u>	<u>July to September, 2018</u>	<u>January to September, 2019</u>	<u>January to September, 2018</u>
Employee compensation	<u>\$ 5,908</u>	<u>3,332</u>	<u>14,512</u>	<u>5,838</u>
Directors' and supervisors' remuneration	<u>\$ 3,544</u>	<u>1,818</u>	<u>8,707</u>	<u>3,322</u>

The abovementioned compensation of employees and remuneration of Director's 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 article. These expenses were recognized in operating costs and operation expensed for the respective period. In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. If the Company's Board of Directors resolve to issue its stocks as the compensation of employees, it will be calculated as per the closing price of its stock on the day before the Board of Directors.

The accrued compensation of employees amounted to \$6,704 and \$3,476 for 2018 and 2017, respectively, and the accrued remuneration of directors' and supervisor's amounted to \$4,023 and \$2,086 respectively. Actual distribution had no difference with accrued amounts. The previous distribution of compensation to employees, remuneration of directors and supervisors approved by Board of Directors for related information, please go to website:

<http://emops.twse.com.tw>.

(w) Other operating income and expenses

Other operating income and expenses were rental revenue.

(x) Non-operating income and expenses

(i) Other income

Details of other income were as follows :

	<u>July to September, 2019</u>	<u>July to September, 2018</u>	<u>January to September, 2019</u>	<u>January to September, 2018</u>
Interest income				
Bank deposits	\$ 4,534	3,501	14,264	12,352
Other loans and receivables	37	54	132	141
Dividend Revenue	8,716	12,236	8,716	12,926
Others	<u>1,018</u>	<u>3,051</u>	<u>1,316</u>	<u>3,459</u>
	<u>\$ 14,305</u>	<u>18,842</u>	<u>24,428</u>	<u>28,878</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(ii) Other gains and losses

Details of other gains and losses were as follows :

	July to September, 2019	July to September, 2018	January to September, 2019	January to September, 2018
Foreign exchange gains, net	\$ 3,219	3,171	20,471	32,543
Net gains on disposal of financial assets at fair value through profit or loss	457	1,286	9,405	(653)
Net gains (loss) on disposal of property, plant and equipment	(2)	(28)	558	2,826
Others	(219)	(2)	(501)	(2)
	\$ 3,455	4,427	29,933	34,714

(iii) Finance costs

Details of finance costs were as follows :

	July to September, 2019	July to September, 2018	January to September, 2019	January to September, 2018
Interest expenses				
Bank loans	\$ 2,581	2,944	8,031	9,200
Lease liability	777	-	2,443	-
Management fee of syndicated loan	62	62	187	187
	\$ 3,420	3,006	10,661	9,387

(y) **Financial instruments**

There was no significant change of the Group's fair value of financial instruments, exposure to credit risk, liquidity risk and market risk except below statements. Please refer to Note 6(ab) of 2018 consolidated financial statements.

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The Group has no significant concentration of its accounts receivable as of September 30, 2019, December 31, and September 30, 2018.

3) Accounts receivable of credit risk

Please refer to Note 6(d) for accounts receivable of credit risk exposure.

Other financial assets measured at amortized cost including other accounts receivable, refundable deposits and certificate deposit recognized as debt instrument without active market.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

2019.9.30			
Financial assets measured at amortized cost			
	12-months ECL	Lifetime ECL— unimpaired	Lifetime ECL— impaired
Other accounts receivable	\$ 10,751	-	-
Refundable deposits	7,131	-	-
Restricted Certificate Deposit	2,110	-	-
Loss allowance provision	-	-	-
Amortized cost	\$ 19,992	-	-
Carrying amount	\$ 19,992	-	-

2018.12.31			
Financial assets measured at amortized cost			
	12-months ECL	Lifetime ECL— unimpaired	Lifetime ECL— impaired
Other accounts receivable	\$ 15,840	-	-
Refundable deposits	7,234	-	-
Restricted Certificate Deposit	2,102	-	-
Loss allowance provision	-	-	-
Amortized cost	\$ 25,176	-	-
Carrying amount	\$ 25,176	-	-

2018.9.30			
Financial assets measured at amortized cost			
	12-months ECL	Lifetime ECL— unimpaired	Lifetime ECL— impaired
Other accounts receivable	\$ 15,851	-	-
Refundable deposits	7,204	-	-
Restricted Certificate Deposit	5,116	-	-
Loss allowance provision	-	-	-
Amortized cost	\$ 28,171	-	-
Carrying amount	\$ 28,171	-	-

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	<u>12-months ECL</u>	<u>Lifetime ECL— unimpaired</u>	<u>Lifetime ECL— impaired</u>
Balance at January 1, 2019	\$ -	-	-
Balance at September 30, 2019	\$ -	-	-
Balance at January 1, 2018	\$ -	-	2,828
Offset uncollected amount	-	-	(2,807)
Effect of changes in foreign currency exchange rates	-	-	(21)
Balance at September 30, 2018	\$ -	-	-

(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 lows</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 years</u>	<u>Due in over 5 years</u>
September 30,2019							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 399,388	(406,322)	(3,627)	(402,695)	-	-	-
Unsecured loans (floating rate)	310,000	(310,375)	(310,375)	-	-	-	-
Accounts payable(non-interest bearing)	473,892	(473,892)	(473,892)	-	-	-	-
Notes payable (non-interest bearing)	2,205	(2,205)	(2,205)	-	-	-	-
Other payable (non-interest bearing)	117,246	(117,246)	(117,246)	-	-	-	-
Lease liability (fixed interest rate)	81,934	(118,734)	(7,924)	(7,442)	(9,033)	(12,526)	(81,809)
Guarantee deposits received (non-interest bearing)	606	(606)	-	-	(34)	(572)	-
Derivative financial liabilities							
Swap Contract :	262						
Cash in		62,137	62,137	-	-	-	-
Cash out		(62,080)	(62,080)	-	-	-	-
	<u>\$ 1,385,533</u>	<u>(1,429,323)</u>	<u>(915,212)</u>	<u>(410,137)</u>	<u>(9,067)</u>	<u>(13,098)</u>	<u>(81,809)</u>
December 31,2018							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,888	(411,690)	(3,574)	(3,633)	(404,483)	-	-
Unsecured loans (floating rate)	370,000	(370,473)	(370,473)	-	-	-	-
Accounts payable(non-interest bearing)	459,356	(459,356)	(459,356)	-	-	-	-
Notes payable (non-interest bearing)	720	(720)	(720)	-	-	-	-
Other payable (non-interest bearing)	91,509	(91,509)	(91,509)	-	-	-	-
Guarantee deposits received (non-interest bearing)	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>
September 30,2018							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,801	(411,528)	(3,593)	(83,612)	(324,323)	-	-
Unsecured loans (floating rate)	430,000	(430,468)	(430,468)	-	-	-	-
Accounts payable(non-interest bearing)	351,396	(351,396)	(351,396)	-	-	-	-
Notes payable (non-interest bearing)	881	(881)	(881)	-	-	-	-
Other payable (non-interest bearing)	73,427	(73,427)	(73,427)	-	-	-	-
Guarantee deposits received (non-interest bearing)	262	(262)	(228)	(34)	-	-	-
Derivative financial liabilities							
Swap Contract :	297						
Cash in		60,990	60,990	-	-	-	-
Cash out		(61,050)	(61,050)	-	-	-	-
	<u>\$ 1,255,064</u>	<u>(1,268,022)</u>	<u>(860,053)</u>	<u>(83,646)</u>	<u>(324,323)</u>	<u>-</u>	<u>-</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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

(iii) Market Risk

1) Exchange rate risk

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

	2019.9.30			2018.12.31			2018.9.30		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 64,164	31.04	1,991,635	51,690	30.715	1,587,648	50,824	30.525	1,551,391
JPY	7,692	0.2878	2,214	34,512	0.2782	9,601	33,379	0.2692	8,986
CNY	77	4.35	333	790	4.472	3,535	127	4.436	563
EUR	103	33.95	3,504	23	35.2	821	-	-	-
<u>Non-monetary items</u>									
USD	1,803	31.04	55,968	3,553	30.715	109,121	3,717	30.525	113,458
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	13,361	31.04	414,710	11,542	30.715	354,523	9,965	30.525	304,176
JPY	38,565	0.2878	11,090	30,140	0.2782	8,385	25,110	0.2692	6,760
EUR	139	33.95	4,704	18	35.2	633	-	-	-
TWD	-	-	-	5,029	1	5,029	14,310	1	14,310
<u>Non-monetary items</u>									
USD	8	31.04	262	-	-	-	-	-	-

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, accounts payable, and other payables. As of September 30, 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 \$11,707 and \$10,525, respectively. The analysis assumes that all other variables remain constant.

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain or loss of monetary items. For the three months and the nine months ended September 30, 2019 and 2018, the exchange gains or loss (including realized and unrealized) that resulted from monetary items translated to the functional currency was \$3,219, \$3,171, \$20,471 and \$32,543, respectively.

2) Interest rate analysis

Please refer to liquidity risk management for the detail of the Group's 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.

When internal report to the Group's top management regarding the interest rate change, they use 1% increase or decrease of interest rate assumption as the interest rate change which also represents this is the reasonable interest rate range assessed by the top management.

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If interest rates on loans had increased or decreased by 1% with all other variables held constantly. The impact on the Group will be as follows :

January to September, 2019		January to September, 2018	
Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
After-tax profit	After-tax profit	After-tax loss	After-tax loss
\$ 62	62	69	69

The above-mentioned variables attribute to the Group's change of interest rate on loan.

3) Other price risk

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

Equity price at reporting date	January to September, 2019		January to September, 2018	
	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after tax	Net profit (loss)
Increase 3%	\$ 3,513	1,335	11,466	3,227
Decrease 3%	\$ 3,513	1,335	11,466	3,227

(iv) 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 following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information on financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and on investments in equity instruments which do not have any quoted price in an active market and lease liability.

	Carrying Amount	22019.9.30			Amount
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Derivative financial assets	\$ 352	-	352	-	352
Debt instrument with quoted market prices	55,616	55,616	-	-	55,616
Subtotal	55,968				
Financial assets at FVOCI					
Equity instrument with quoted market prices	117,093	117,093	-	-	117,093
Equity instrument at fair value without quoted market prices	161,012	-	-	161,012	161,012
Subtotal	278,105				
Financial assets at amortized cost					
Cash and cash equivalent	1,213,941	-	-	-	-
Account receivables	638,351	-	-	-	-
Other account receivables	10,751	-	-	-	-
Restricted deposit	2,110	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	7,131	-	-	-	-
Subtotal	1,872,284				
Total	\$ 2,206,357				

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2019.9.30				
	Carrying	Fair value			Amount
	Amount	Level 1	Level 1	Level 1	
Financial liabilities at FVTPL					
Derivative financial liabilities	\$ 262	-	262	-	262
Financial liabilities at amortized cost					
Bank loans	709,388	-	-	-	-
Notes payable	2,205	-	-	-	-
Account payable	473,892	-	-	-	-
Other payable	117,246	-	-	-	-
Lease liability	81,934	-	-	-	-
Guarantee deposits received	606	-	-	-	-
Subtotal	<u>1,385,271</u>				
Total	<u>\$ 1,385,533</u>				

	2018.12.31				
	Carrying	Fair value			Amount
	Amount	Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Derivative financial assets	\$ 379	-	379	-	379
Debt instrument with quoted market prices	126,080	126,080	-	-	126,080
Subtotal	<u>126,459</u>				
Financial assets at FVOCI					
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	<u>356,432</u>				
Financial assets at amortized cost					
Cash and cash equivalent	1,029,113	-	-	-	-
Account receivables	468,844	-	-	-	-
Other account receivables	15,840	-	-	-	-
Restricted deposit	2,102	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	7,234	-	-	-	-
Subtotal	<u>1,523,133</u>				
Total	<u>\$ 2,006,024</u>				

Financial liabilities at amortized cost					
Bank loans	\$ 768,888	-	-	-	-
Notes payable	720	-	-	-	-
Account payable	459,356	-	-	-	-
Other payable	91,509	-	-	-	-
Guarantee deposits received	264	-	-	-	-
Total	<u>\$ 1,320,737</u>				

	2018.9.30				
	Carrying	Fair value			Amount
	Amount	Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Derivative financial assets	\$ 106	-	106	-	106
Debt instrument with quoted market prices	130,206	130,206	-	-	130,206
Subtotal	<u>130,312</u>				

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Notes to consolidated financial statements

	2018.9.30				
	Carrying	Fair value			Amount
	Amount	Level 1	Level 2	Level 3	
Financial assets at FVOCI					
Equity instrument with quoted market prices	214,586	214,586	-	-	214,586
Equity instrument at fair value without quoted market prices	<u>167,640</u>	-	-	167,640	167,640
Subtotal	<u>382,226</u>				
Financial assets at amortized cost					
Cash and cash equivalent	1,029,905	-	-	-	-
Account receivables	502,940	-	-	-	-
Other account receivables	15,851	-	-	-	-
Restricted deposit	5,116	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	<u>7,204</u>	-	-	-	-
Subtotal	<u>1,561,016</u>				
Total	<u>\$ 2,073,554</u>				
Financial liabilities at FVTPL					
Derivative financial liabilities	\$ 297	-	297	-	297
Financial liabilities at amortized cost					
Bank loans	828,801	-	-	-	-
Notes payable	881	-	-	-	-
Account payable	351,396	-	-	-	-
Other payable	73,427	-	-	-	-
Guarantee deposits received	<u>262</u>	-	-	-	-
Subtotal	<u>1,254,767</u>				
Total	<u>\$ 1,255,064</u>				

2) Valuation techniques and assumptions unused in fair value determination

The methodology and assumptions used by the Group to estimate without using fair-value measures, because of the short maturities of these instruments, the Group estimates that the carrying amount is a reasonable approximation of fair value.

3) Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

The fair values of listed securities and open-end funds with standard terms and conditions and traded in active markets held by the Group 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 counterparty. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 nine months ended September 30, 2019 and 2018.
- 5) Movement of financial assets through other comprehensive income categorized within Level 3.

		Financial assets at fair value through other comprehensive income
		<u>Unquoted equity instruments</u>
Balance at January 1, 2019	\$	151,668
Prepaid investment		2,700
Recognized in other comprehensive income		<u>6,644</u>
Balance at September 30, 2019	\$	<u>161,012</u>
Balance at January 1, 2018	\$	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>19,040</u>
Balance at September 30, 2018	\$	<u>167,640</u>

- 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 OPTRONICS 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 unobservable inputs and fair value measurement
Financial assets at FVOCI - equity investments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> ·Continuing growth rate (as of September 30,2019, December 31,2018 and September 30, 2018 ranged from 2.14% 、 1.96% and 1.7% respectively) ·Weighted average cost of capital (as of September 30 ,2019, December 31,2018 and September 30, 2018 ranged from 11.50% 、 11.82% and 9.54% respectively) ·Market illiquidity discount rate (as of September 30,2019, December 31,2018 and September 30, 2018 ranged from 41.86% 、 38.36% and 38.34% respectively) ·Non-controlling interests discount rate (as of September 30, 2019, December 31, 2018 and September 30, 2018 were 29.87%) 	<ul style="list-style-type: none"> ·If the continuing growth rate was higher, the estimated fair value would increase. ·If WACC was higher, the fair value would decrease. ·If the market illiquidity discount was higher, the estimated fair value would decrease. ·If non-controlling interests discount was 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
September 30, 2019			
Continuing growth rate 2.14%	0.1%	\$ 1,330	1,400
Weighted average cost of capital 11.50%	0.5%	1,750	1,890
Market illiquidity discount rate 41.86%	1%	2,520	2,520
Non-controlling interests discount rate 29.87%	1%	2,030	2,100
December 31, 2018			
Continuing growth rate 1.96%	0.1%	\$ 230	220
Weighted average cost of capital 11.82%	0.5%	1,630	1,470
Market illiquidity discount rate 38.36%	1%	320	330
Non-controlling interests discount rate 29.87%	1%	290	290

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Inputs September 30, 2018	Fluctuation in inputs	Changes in fair value reflected in OCI	
		Favorable	Unfavorable
Continuing growth rate 1.7%	0.1%	\$ 1,960	1,890
Weighted average cost of capital 9.54%	0.5%	11,900	10,640
Market illiquidity discount rate 38.34%	1%	2,520	2,590
Non-controlling interests discount rate 29.87%	1%	2,240	2,240

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.

(z) Financial risk management

There was no significant change of the Group's financial risk management objectives and policy as disclosed in 2018 consolidated report. Please refer to Note 6(ac) of 2018 consolidated financial statements.

(aa) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2018 consolidated financial statements. Further, there was no significant change of the summary quantitative information as disclosed in 2018 consolidated financial statements. Please refer to Note 6(ad) of 2018 consolidated financial statements.

(ab) Financing activities of non-cash transaction

Reconciliation of liabilities arising from financing activities were as follows :

	2019.1.1	Cash flows	Non-cash changes			2019.9.30
			Foreign exchange movement	Amortized	Other	
Short-term borrowings	\$ 370,000	(60,000)	-	-	-	310,000
Long-term borrowings	398,888	-	-	500	-	399,388
Lease liabilities	90,510	(9,611)	(542)	-	1,577	81,934
					(NOTE)	
Guarantee deposits received	264	340	2	-	-	606
Total liabilities from financing activities	<u>\$ 859,662</u>	<u>(69,271)</u>	<u>(540)</u>	<u>500</u>	<u>1,577</u>	<u>791,928</u>

(Note) : Refer to right-of-use assets

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	<u>2018.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>2018.9.30</u>
			<u>Foreign exchange movement</u>	<u>Amortized</u>	<u>Other</u>	
Short-term borrowings	\$ 557,000	(127,000)	-	-	-	430,000
Long-term borrowings(including current portion)	398,246	-	-	555	-	398,801
Guarantee deposits received	34	223	5	-	-	262
Total liabilities from financing activities	<u>\$ 955,280</u>	<u>(126,777)</u>	<u>5</u>	<u>555</u>	<u>-</u>	<u>829,063</u>

(7) Transactions with Related Parties

Compensation of key management personnel

The information on key management personnel compensation was as follows :

	<u>July to September, 2019</u>	<u>July to September, 2018</u>	<u>January to September, 2019</u>	<u>January to September, 2018</u>
Short-term employee benefits	\$ 8,382	6,041	22,175	17,912
Post-employment benefits	129	127	384	378
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 8,511</u>	<u>6,168</u>	<u>22,559</u>	<u>18,290</u>

The Group provided six of its own cars with carrying amount of \$15,109 for the nine months ended September 31, 2018 and rented another car for the key management personnel to use as of March 31, 2018. The rental car expense amounted to \$0, \$226 for the three months and the nine months ended September 30, 2018, respectively.

(8) Pledged Assets

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

<u>Pledged Assets</u>	<u>Purpose</u>	<u>2019.9.30</u>	<u>2018.12.31</u>	<u>2018.9.30</u>
Restricted deposit-current	Guarantee for customs	\$ 1,537	1,536	1,530
Restricted deposit-current	Performance guarantee	-	-	3,024
Restricted deposit non-current	Performance guarantee	573	566	562
Property, plant and equipment-buildings	Guarantee for long-term borrowings	224,534	202,076	205,304
		<u>\$ 226,644</u>	<u>204,178</u>	<u>210,420</u>

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(9) Commitments and Contingencies

- (a) As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$11,976, \$4,150 and \$8,811, respectively.
- (b) As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group has signed contracts for the purchase of equipments. The unrecognized contingencies of contracts for the purchase of equipments amounted to \$6,618, \$2,630 and \$10,1, respectively.

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events: None

(12) Other

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

	July to September, 2019			July to September, 2018		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits	138,496	67,328	205,824	114,966	56,472	171,438
Depreciation	18,046	3,204	21,250	15,195	1,150	16,345
Amortization	113	101	214	187	376	563

	January to September, 2019			January to September, 2018		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits	369,084	183,732	552,816	335,260	164,498	499,758
Depreciation	53,660	9,624	63,284	44,690	3,338	48,028
Amortization	461	335	796	600	790	1,390

- (b) Seasonal operation :

The operation of the Group hadn't been affected by either seasonal or periodical factors.

(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 nine months ended September 30, 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	
					(Note1)	(Note 1)	(Note 1)						Item	Value			
0	The Company	Emerging Display Technologies Corp., U.S.A.	Other receivable-related parties	Yes	45,008 (USD 1,450,000)	45,008 (USD 1,450,000)	21,728 (USD 700,000)	4.79%~ 5.54%	short-term financing	-	Working capital	-	-	-	187,215 (Note 2)	748,858 (Note 2)	(Note 3)

Note1: It used the rate of exchange at September 30, 2019.

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Note2: Limit of financing amount for total amount or individual counter-party shall not exceed 40% of the lender's net assets value as of the period, or not exceed 10% 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 September 30, 2019 (subsidiaries, associates and joint ventures not included) :

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	September 30,2019				Remark
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets at FVOCI – noncurrent	1,470,000	15,832	5.25%	15,832	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI – noncurrent	1,000,000	20,740	1.75%	20,740	-
The Company	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVOCI – noncurrent	13,845	885	-	885	-
The Company	Innolux Corp. stock	-	Financial assets at FVOCI – current	1,147,089	7,571	0.01%	7,571	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Financial assets at FVOCI – current	300,000	13,365	-	13,365	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Financial assets at FVOCI – current	353,135	14,002	0.01%	14,002	-
The Company	Synnex Technology International Co., Ltd. stock	-	Financial assets at FVOCI – current	458,000	16,625	0.03%	16,625	-
The Company	Nan Ya Plastics Corporation stock	-	Financial assets at FVOCI – current	210,000	14,637	-	14,637	-
The Company	Pegatron Co., Ltd. stock	-	Financial assets at FVOCI – current	216,000	11,664	0.01%	11,664	-
The Company	Coasia Electronics Corp. stock (Note 1)	-	Financial assets at FVOCI – current	441,508	5,695	0.32%	5,695	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	480,000	10,872	0.78%	10,872	-
The Company	Edmond de Rothschild Fund – Europe Convertibles(A)-USD	-	Financial assets at FVTPL – current	8,468.12	23,420	-	23,420	-
The Company	AB FCP I-American Income Portfolio Class A2 USD	-	Financial assets at FVTPL – current	33,863.87	32,196	-	32,196	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	550,000	12,458	0.90%	12,458	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Financial assets at FVOCI – current	101,500	712	0.02%	712	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	5,346,672	95,973	3.29%	95,973	(Note 2)
Bae Haw Investment Development Corp	Everest Technology Inc.	-	Financial assets at FVOCI – noncurrent	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	380,000	8,607	0.62%	8,607	-
Bae Haw Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	3,447,716	61,887	2.12%	61,887	-
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI – noncurrent	6,000,000	124,440	10.52%	124,440	- (Note 2)

Note1: Coasia Microelectronics Corp. 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 share capital: None

(v) Acquisition of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None

(vi) Disposal of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None

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(vii) Sales to and purchases from related parties in excess of \$100 million or 20% of issued share capital was as follows :

Purchasing (selling) company	Counter party	Relationship	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	853,701	28.61%	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.	306,401	40.60%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	107,322	5.79%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	(21,578)	3.83%	(Note)
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	853,701	100.00%	3 months	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	(306,401)	100.00%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	107,322	67.00%	1-3 months	The Group is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	21,578	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	103,862	66.09%	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.	(22,266)	78.22%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	103,862	66.00%	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.	22,266	100.00%	(Note)

Note: It was eliminated in the consolidation.

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

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	
					Amount	Status			
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Account receivables of 306,401	3.54	-	-	127,390	-	(Note)
			Other receivable of 21,728	-	-	-	-	-	(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	853,701	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.	27.69%
				Accounts payable	306,401		8.40%
0	The Company	Tremendous Explore Corp.	1	Processing cost	107,322	No non-related-party transaction to compare to.	3.48%
				Accounts payable	21,578		0.59%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Selling expenses -Commission	264	No non-related-party transaction to compare to.	0.01%
				Other payable	137		-

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No	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission	39,708	No non-related-party transaction to compare to.	1.29%
				Other payable	5,354		0.15%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses -Commission	3,099	No non-related-party transaction to compare to.	0.10%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission	10,166	No non-related-party transaction to compare to.	0.33%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Interest revenue	1,106	Adjust by floating interest rate of Bank of America.	0.04%
				Other receivable	21,728		0.60%
0	The Company	Dong Guan Emerging Display Limited	1	Processing cost	53,301	No non-related-party transaction to compare to.	1.73%
				Purchase material	58,839		1.91%
				Accounts payable	79,602		2.18%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing cost	103,862	No non-related-party transaction to compare to.	3.37%
				Purchase material	44,522		1.44%
				Accounts payable	22,266		0.61%

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 for the nine months ended September 30, 2019 was as follows: (excluding investments in Mainland China) :

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the investee	Investment income (less) recognized	Remarks
				September 30, 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%	78,236 (Note1)	6,398	6,468	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	93,545	3,471	2,724	Subsidiary (Note 2)
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	3,990	2,211	2,211	Subsidiary (Note 2)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(7,086)	2,322	2,322	Subsidiary (Note 2)
The Company	Emerging Display Technologies Korea	Korea	Business support	1,677	1,677	58,212,500	100.00%	1,186	26	26	Subsidiary (Note 2)
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	4,834	485	485	Subsidiary (Note 2)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	22,430	3,969	3,969	Subsidiary (Note 2)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	36,874	2,983	2,983	Subsidiary (Note 2)
The Company	Ying Ceng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	70,654	(17)	(9)	Subsidiary (Note 2)

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Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the investee	Investment income (less) recognized	Remarks
				September 30, 2019	December 31, 2018	(loss) of the	Percentage owned	Carrying value			
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	7,032	3,471	205	Subsidiary (Note 2)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,599	3,471	396	Subsidiary (Note 2)

Note 1: It was deducted unrealized profit from sales \$12,986.

Note 2: 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 September 1, 2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of September 30, 2019	Net income of investee	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group	Book value of the investment as of September 30, 2019	Accumulated investment income repatriated to Taiwan as of September 30, 2019
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs and Touch panel	248,516 (USD 7,625,300元)	Investing through a third country by establishing a holding Group in a third country.	219,225 (USD 6,746,936元) (Note 1)	-	-	219,225 (USD 6,746,936元)	3,213	95.80% (Note 2)	profit of \$3,078 Based on the investee's financial statements audited by the same auditor as the Group (Note3)	104,837 (Note 4)	-

(ii) Limitation on investment in Mainland China :

Accumulated investment amount remitted from Taiwan to Mainland China as of September 30, 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
215,252(Note 8) (US\$6,934,668元)(Note 5)	433,062(Note 8) (US\$13,951,732元)(Note 6)	1,253,585(Note 7)

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

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

Note 3: The amount includes a profit of \$190 which was recognized by Ying Dar Investment Development Corp. and a profit of \$367 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$6,457 which was invested by Ying Dar Investment Development Corp. and \$12,486 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 \$71,042 for Ying Dar Investment Development Corp. and \$59,256 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at September 30, 2019.

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(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, was disclosed in “information on significant transactions” for the nine months ended September 30, 2019.

(14) Segment Information

Reportable segment information was as follows :

	July to September, 2019					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue :						
Sales to customers other than consolidated entities	\$ 864,376	314,383	-	343	-	1,179,102
Sales among consolidated entities	269,898	52	106,599	17,176	(393,725)	-
Total revenue	<u>\$ 1,134,274</u>	<u>314,435</u>	<u>106,599</u>	<u>17,519</u>	<u>(393,725)</u>	<u>1,179,102</u>
Segment Income	<u>\$ 98,564</u>	<u>3,426</u>	<u>6,038</u>	<u>1,152</u>	<u>1,526</u>	<u>110,706</u>

	July to September, 2018					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue :						
Sales to customers other than consolidated entities	\$ 418,247	329,015	-	297	-	747,559
Sales among consolidated entities	268,552	158	81,651	15,768	(366,129)	-
Total revenue	<u>\$ 686,799</u>	<u>329,173</u>	<u>81,651</u>	<u>16,065</u>	<u>(366,129)</u>	<u>747,559</u>
Segment Income	<u>\$ 45,410</u>	<u>4,076</u>	<u>9,153</u>	<u>2,203</u>	<u>2,621</u>	<u>63,463</u>

	January to September, 2019					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue :						
Sales to customers other than consolidated entities	\$ 2,129,968	952,066	-	639	-	3,082,673
Sales among consolidated entities	853,701	264	213,921	52,972	(1,120,858)	-
Total revenue	<u>\$ 2,983,669</u>	<u>952,330</u>	<u>213,921</u>	<u>53,611</u>	<u>(1,120,858)</u>	<u>3,082,673</u>
Segment Income	<u>\$ 255,661</u>	<u>8,048</u>	<u>6,673</u>	<u>2,769</u>	<u>(3,228)</u>	<u>269,923</u>

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	January to September, 2018					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue :						
Sales to customers other than consolidated entities	\$ 1,252,698	859,156	-	613	-	2,112,467
Sales among consolidated entities	<u>754,344</u>	<u>487</u>	<u>208,914</u>	<u>50,445</u>	<u>(1,014,190)</u>	<u>-</u>
Total revenue	<u>\$ 2,007,042</u>	<u>859,643</u>	<u>208,914</u>	<u>51,058</u>	<u>(1,014,190)</u>	<u>2,112,467</u>
Segment Income	<u>\$ 94,503</u>	<u>2,520</u>	<u>3,057</u>	<u>5,030</u>	<u>5,113</u>	<u>110,223</u>
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Segment Assets						
September 30, 2019	<u>\$ 3,503,203</u>	<u>434,097</u>	<u>173,363</u>	<u>25,791</u>	<u>(488,819)</u>	<u>3,647,635</u>
December 31, 2018	<u>\$ 3,233,548</u>	<u>474,457</u>	<u>141,486</u>	<u>17,567</u>	<u>(472,990)</u>	<u>3,394,068</u>
September 30, 2018	<u>\$ 3,163,684</u>	<u>419,116</u>	<u>195,587</u>	<u>19,691</u>	<u>(473,691)</u>	<u>3,324,387</u>
Segment Liabilities						
September 30, 2019	<u>\$ 1,749,285</u>	<u>343,141</u>	<u>91,907</u>	<u>15,781</u>	<u>(493,555)</u>	<u>1,706,559</u>
December 31, 2018	<u>\$ 1,605,404</u>	<u>390,779</u>	<u>73,217</u>	<u>10,647</u>	<u>(495,138)</u>	<u>1,584,909</u>
September 30, 2018	<u>\$ 1,523,376</u>	<u>337,384</u>	<u>119,825</u>	<u>9,035</u>	<u>(486,617)</u>	<u>1,503,003</u>

The following is the explanation of material reconciliation item :

- (a) For the three and nine months ended September 30, 2019 and 2018, the operating segments revenue eliminated from the consolidated entities were \$393,725 \$366,129 \$1,120,858 and \$1,014,190, respectively.
- (b) For the three months and nine months ended September 30, 2019 and 2018, the operating segments profit and loss eliminated from the consolidated entities were loss \$1,526, loss \$2,621, profit \$3,228 and loss \$5,113, respectively.
- (c) As of September 30, 2019, December 31, 2018 and September 30, 2018, the operating segments assets eliminated from the consolidated entities were \$488,819, \$472,990 and \$473,691, respectively.
- (d) As of September 30, 2019, December 31, 2018 and September 30, 2018, the operating segments liabilities eliminated from the consolidated entities were \$493,555, \$495,138 and \$486,617, respectively.