

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

**Consolidated Financial Statements**

**For the Years Ended December 31, 2021 and 2020**  
**(With Independent Auditors' Report Thereon)**

Address: No. 5, Central 1st Rd., Qianzhen Dist., Kaohsiung, Taiwan, R.O.C.  
Telephone: 886-7-812-4832

## Table of contents

<b>Contents</b>	<b>Page</b>
1.Cover page	1
2.Table of contents	2
3.Representation letter	3
4.Independent auditor’s report	4
5.Consolidated balance sheets	5
6.Consolidated statements of comprehensive income	6
7.Consolidated statements of changes in equity	7
8.Consolidated statements of cash flows	8
9.Notes to the consolidated financial statements	
(1) Organization and business scope	9
(2) Financial statements authorization date and authorization process	9
(3) Application of New and Revised International Financial Reporting Standards and Interpretations	9~10
(4) Summary of significant accounting policies	10~25
(5) Significant accounting assumptions and judgments, and major sources of estimates uncertainty	25
(6) Explanation of significant accounts	25~59
(7) Transactions with Related Parties	59
(8) Pledged assets	59
(9) Commitments and contingencies	60
(10) Losses due to major disasters	60
(11) Significant subsequent events	60
(12) Other	60
(13) Supplementary Disclosure Requirements	
(a) Supplementary Disclosure Requirements	60~63
(b) Information on investees	63
(c) Information on investment in Mainland China	63~64
(d) Major shareholders	64
(14) Segment information	64~67

## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Emerging Display Technologies Corp. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements."

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

Very truly yours,

Emerging Display Technologies Corp.

By

Ray Tseng

Chairman

March 10, 2022

## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Emerging Display Technologies Corp. and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards(IFRS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations(SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

#### 1. Valuation of accounts receivable

Please refer to Note 4(g) for accounting policy of accounts receivable valuation and Note 5(a) for accounting assumption and estimation uncertainty of impairment of accounts receivable. Information regarding accounts receivable is shown in Note 6 (d) of the consolidated financial statements.

#### Description of key audit matters:

The Group's customers are the manufacturers of industrial equipments, smart home devices, handheld devices, and information appliance products. The customers' delayed payments were due to the need to clarify the responsibility of problematic products resulted from failure of process or usage of end products, and global economic turmoil. Because of the inherent credit risk of receivables, the financial statements users value the collection results. Since the accounts

receivable is significant to the financial statements, they are one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the process of account checking and collection with customers; analyzing the receivable aging report; reviewing the historical receipt and bad debt records; and understanding the forward-looking industrial economic status and concentration of credit risk of the customers. In addition, we also evaluated the appropriateness of related disclosures in the consolidated financial statements.

## **2. Valuation of obsolete inventory**

Please refer to Note 4(g) for accounting policy of obsolete inventory and Note 5(b) for accounting assumption and estimation uncertainty of obsolete inventory valuation. Information regarding obsolete inventory valuation is shown in Note 6(f) of the consolidated financial statements.

Description of key audit matters:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included selecting samples to test the accuracy of inventory aging report; analyzing the changes of inventory aging, and examining the provision of inventory by reviewing the historical accuracy on provision. We assessed the changes of obsolescence inventory in the subsequent events and the basis of net realizable value to evaluate the accuracy of the Group's provisions. In addition, we also assessed the appropriateness of the provisions and disclosures made by the management

## **Other Matters**

We have also audited the parent company only financial statements of Emerging Display Technologies Corp. as of and for the year ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
March 10, 2022

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents ((Note 6(a))	\$ 816,356	23	1,242,331	34	2100	Short-term loans (Notes 6(m))	\$ -	-	700,000	19
1110	Financial assets at fair value through profit or loss, current ((Note 6(b))	42	-	58,817	2	2120	Financial liabilities at fair value through profit or loss, current (Notes	-	-	195	-
1120	Financial assets at fair value through other comprehensive income, current (Note 6(c))	302,101	8	159,760	5		6(b))				
						2150	Notes payable	86	-	1,234	-
1170	Accounts receivable, net (Note 6(d) and 6 (v))	749,530	21	589,550	16	2170	Accounts payable	559,800	16	400,068	11
1200	Other receivables (Note 6(e))	2,823	-	6,090	-	2200	Other payables (Notes 6(n))	290,708	8	274,518	8
1220	Income tax assets	104	-	18	-	2230	Income tax liabilities	29,744	1	51,559	2
130X	Inventories (Note 6(f))	1,056,165	29	870,501	24	2280	Lease liabilities, current (Notes 6(p))	11,644	-	7,325	-
1470	Other current assets (Note 6(g) and 8)	51,997	2	83,002	2	2300	Other current liabilities (Notes 6(v))	55,718	2	43,204	1
	<b>Total current assets</b>	<u>2,979,118</u>	<u>83</u>	<u>3,010,069</u>	<u>83</u>		<b>Total current liabilities</b>	<u>947,700</u>	<u>27</u>	<u>1,478,103</u>	<u>41</u>
Non-current assets:						Non-current liabilities:					
1517	Financial assets at fair value through other comprehensive income, non-current (Note 6(c))	113,460	3	98,691	3	2540	Long-term loans (Notes 6(o) and 8)	398,349	11	-	-
1600	Property, plant and equipment (Notes 6(i) ,8 and 9)	332,762	9	331,314	9	2570	Deferred income tax liabilities (Note 6(s))	240	-	354	-
1755	Right-of-use assets (Notes 6(j))	77,475	2	67,228	2	2580	Lease liabilities, non-current (Notes 6(p))	68,730	2	61,833	2
1760	Investment property (Notes 6(k))	52,967	2	55,158	2	2640	Net defined benefit liabilities, non-current (Note 6(r))	100,977	3	87,048	2
1780	Intangible assets (Note 6(l))	3,685	-	4,111	-	2645	Guarantee deposits received	544	-	558	-
1840	Deferred income tax assets (Note 6(s))	21,737	1	31,928	1	2670	Other non-current liabilities	520	-	728	-
1980	Other non-current financial assets (Notes 6(g) and 8)	8,239	-	10,690	-		<b>Total non-current liabilities</b>	<u>569,360</u>	<u>16</u>	<u>150,521</u>	<u>4</u>
	<b>Total non-current assets</b>	<u>610,325</u>	<u>17</u>	<u>599,120</u>	<u>17</u>		<b>Total liabilities</b>	<u>1,517,060</u>	<u>43</u>	<u>1,628,624</u>	<u>45</u>
						<b>Equity attributable to shareholders of the parent(Note 6 (t) and 11:</b>					
						3100	Capital stock	1,624,076	45	1,624,076	45
						3200	Capital surplus	25,980	1	15,423	-
						3300	Retained earnings	654,787	18	591,094	17
						3400	Other equity interest	(104,491)	(3)	(117,815)	(3)
						3500	Treasury stock	(173,021)	(5)	(173,021)	(5)
							Total equity attributable to shareholders of the parent	2,027,331	56	1,939,757	54
						36XX	<b>Non-controlling interests (Note 6(h))</b>	45,052	1	40,808	1
							<b>Total equity</b>	<u>2,072,383</u>	<u>57</u>	<u>1,980,565</u>	<u>55</u>
<b>TOTAL</b>		<u>\$ 3,589,443</u>	<u>100</u>	<u>3,609,189</u>	<u>100</u>	<b>TOTAL</b>		<u>\$ 3,589,443</u>	<u>100</u>	<u>3,609,189</u>	<u>100</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 Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(v))	\$ 4,183,403	100	3,737,299	100
5000	Operating cost (Note 6(f, l, r & w) and 12)	3,470,218	83	2,951,432	79
	Gross profit	713,185	17	785,867	21
	Operating expenses (Note 6(l, r & w) 7 and 12):				
6100	Selling expenses	204,557	5	200,931	5
6200	Administrative expenses	128,504	3	133,865	4
6300	Research and development expenses	116,966	3	115,565	3
6450	Expected credit impairment loss(gain) (Note 6(d))	164	-	5,618	-
	<b>Total operating expenses</b>	450,191	11	455,979	12
6500	<b>Net other income (expenses) (Note 6(q, x))</b>	3,861	-	4,064	-
	<b>Operating profit</b>	266,855	6	333,952	9
	<b>Non-operating income and expenses (Note 6(c,p &amp; x)):</b>				
7100	Interest income	1,244	-	9,699	-
7010	Other income	28,239	1	15,496	-
7020	Other gains and losses	(19,237)	-	(73,675)	(2)
7050	Finance cost	(9,177)	-	(11,363)	-
	<b>Total Non-operating income and expenses</b>	1,069	1	(59,843)	(2)
7900	<b>Profit before income tax</b>	267,924	7	274,109	7
7950	<b>Income tax expense (Note 6(s))</b>	31,389	1	41,113	1
	<b>Profit</b>	236,535	6	232,996	6
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8311	Remeasurement of defined benefit obligation	(18,937)	(1)	(1,286)	-
8316	Unrealized losses on investments in equity instruments at fair value through other comprehensive income (Note 6(t))	64,472	1	(20,822)	(1)
8349	Less: Income tax related to items that will not be reclassified subsequently (Note 6(s))	(66)	-	298	-
		45,601	-	(22,406)	(1)
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation (Note 6(t))	(11,986)	-	(4,143)	-
8399	Less: Income tax related to items that will be reclassified subsequently (Note 6(s))	-	-	-	-
		(11,986)	-	(4,143)	-
8300	<b>Other comprehensive income, net</b>	33,615	-	(26,549)	(1)
8500	<b>Comprehensive income</b>	<b>270,150</b>	<b>6</b>	<b>206,447</b>	<b>5</b>
	<b>Profit (loss) attributable to</b>				
8610	Shareholders of the parent	237,280	6	233,466	6
8620	Non-controlling interests	(745)	-	(470)	-
	<b>Net Profit (loss)</b>	<b>236,535</b>	<b>6</b>	<b>232,996</b>	<b>6</b>
	<b>Comprehensive income attributable to</b>				
8710	Shareholders of the parent	265,906	6	225,514	6
8720	Non-controlling interests	4,244	-	(19,067)	(1)
	<b>Total comprehensive income</b>	<b>\$ 270,150</b>	<b>6</b>	<b>206,447</b>	<b>5</b>
	<b>Earnings per share (Note 6(u)) (expressed in New Taiwan dollars)</b>				
9750	<b>Basic earnings per share</b>	<b>\$ 1.60</b>		<b>1.57</b>	
9850	<b>Diluted earnings per share</b>	<b>\$ 1.59</b>		<b>1.56</b>	

See accompanying notes to consolidated financial statements.

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the years ended December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan dollars)

	Equity attributable to shareholders of parent										
	Common stock	Capital surplus	Retained earnings			Other equity interest		Treasury stock	Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
			Legal capital reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				
<b>Balance on January 1, 2020</b>	<b>\$ 1,624,076</b>	<b>4,397</b>	<b>57,015</b>	<b>151,307</b>	<b>330,944</b>	<b>(14,111)</b>	<b>(88,501)</b>	<b>(173,021)</b>	<b>1,892,106</b>	<b>59,875</b>	<b>1,951,981</b>
Profit	-	-	-	-	233,466	-	-	-	233,466	(470)	232,996
Other comprehensive income	-	-	-	-	(1,286)	(4,185)	(2,481)	-	(7,952)	(18,597)	(26,549)
Total comprehensive income	-	-	-	-	232,180	(4,185)	(2,481)	-	225,514	(19,067)	206,447
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	25,733	-	(25,733)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(188,889)	-	-	-	(188,889)	-	(188,889)
Reversal of special reserve	-	-	-	(48,695)	48,695	-	-	-	-	-	-
Exercise of disgorgement	-	473	-	-	-	-	-	-	473	-	473
Cash dividends to subsidiaries	-	10,553	-	-	-	-	-	-	10,553	-	10,553
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	8,537	-	(8,537)	-	-	-	-
<b>Balance on December 31, 2020</b>	<b>1,624,076</b>	<b>15,423</b>	<b>82,748</b>	<b>102,612</b>	<b>405,734</b>	<b>(18,296)</b>	<b>(99,519)</b>	<b>(173,021)</b>	<b>1,939,757</b>	<b>40,808</b>	<b>1,980,565</b>
Profit	-	-	-	-	237,280	-	-	-	237,280	(745)	236,535
Other comprehensive income	-	-	-	-	(18,937)	(11,702)	59,265	-	28,626	4,989	33,615
Total comprehensive income	-	-	-	-	218,343	(11,702)	59,265	-	265,906	4,244	270,150
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	24,072	-	(24,072)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(188,889)	-	-	-	(188,889)	-	(188,889)
Special reserve	-	-	-	15,203	(15,203)	-	-	-	-	-	-
Cash dividends to subsidiaries	-	10,553	-	-	-	-	-	-	10,553	-	10,553
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	34,239	-	(34,239)	-	-	-	-
Return of employee stock ownership trust	-	4	-	-	-	-	-	-	4	-	4
<b>Balance on December 31, 2021</b>	<b>\$ 1,624,076</b>	<b>25,980</b>	<b>106,820</b>	<b>117,815</b>	<b>430,152</b>	<b>(29,998)</b>	<b>(74,493)</b>	<b>(173,021)</b>	<b>2,027,331</b>	<b>45,052</b>	<b>2,072,383</b>

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

	2021	2020
<b>Cash flows from (used in) operating activities</b>		
Profit before tax	\$ 267,924	274,109
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	63,675	74,705
Amortization expense	1,249	1,447
Expected credit impairment loss (gain)	164	5,618
Net gain on financial assets or liabilities at fair value through profit or loss	(5,736)	(7,336)
Interest expense	9,177	11,363
Interest income	(1,218)	(9,611)
Dividend income	(27,447)	(9,320)
Gain on disposal of property, plant, equipment	(1,292)	-
Unrealized foreign exchange loss	2,156	33,909
Others	4	-
<b>Total adjustments to reconcile profit</b>	<u>40,732</u>	<u>100,775</u>
<b>Changes in operating assets and liabilities :</b>		
<b>Changes in operating assets:</b>		
Accounts receivable	(167,269)	(68,996)
Other accounts receivable	3,695	3,688
Inventories	(187,001)	(71,387)
Other current assets	31,135	(22,263)
<b>Total net changes in operating assets</b>	<u>(319,440)</u>	<u>(158,958)</u>
<b>Net changes in operating liabilities:</b>		
Notes payable	(1,148)	927
Accounts payable	162,309	(28,037)
Other payables	17,082	(4,896)
Other current liabilities	12,697	18,739
Net defined benefit liability	(5,008)	(2,784)
Other non-current liabilities	(208)	(208)
<b>Total net change in operating liabilities</b>	<u>185,724</u>	<u>(16,259)</u>
<b>Total net change in operating assets and liabilities</b>	<u>(133,716)</u>	<u>(175,217)</u>
<b>Total adjustments</b>	<u>(92,984)</u>	<u>(74,442)</u>
<b>Cash inflow generated from (used in) operating activities</b>	174,940	199,667
Interest received	1,525	11,303
Dividends received	27,447	9,287
Interest paid	(10,791)	(10,908)
Income taxes paid	(43,117)	(45,463)
<b>Net cash flows from (used in) operating activities</b>	<u>150,004</u>	<u>163,886</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(339,254)	(101,773)
Proceeds from disposal of financial assets at fair value through other comprehensive income	246,616	80,033
Acquisition of financial assets at fair value through profit or loss	(30,135)	(60,350)
Proceeds from disposal of financial assets at fair value through profit or loss	94,451	62,165
Acquisition of property, plant and equipment	(52,607)	(32,763)
Proceeds from disposal of property, plant, equipment	3,057	-
Acquisition of intangible assets	(824)	(1,780)
Acquisition of investment property	-	(886)
Other financial assets	951	(3,006)
<b>Net cash flows from (used in) investing activities</b>	<u>(77,745)</u>	<u>(58,360)</u>
<b>Cash flows from (used in) financing activities:</b>		
Short-term loans	(700,000)	300,000
Increase in long-term borrowings	400,000	-
Repayments of long-term loans	-	(320,000)
Disbursement received	-	591
Cash dividends paid	(178,342)	(178,330)
Repayments of lease liabilities	(13,985)	(11,616)
<b>Net cash flows used in financing activities</b>	<u>(492,327)</u>	<u>(209,355)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(5,907)</u>	<u>(22,092)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(425,975)</u>	<u>(125,921)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>1,242,331</u>	<u>1,368,252</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 816,356</u>	<u>1,242,331</u>

See accompanying notes to consolidated financial statements.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

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

### (1) Organization and Business Scope

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2022

### (3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on the consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform— Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on the consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment— Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

The aforementioned assessment about the adoption of the new amendments would be modified as the environments or conditions change.

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on the consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”」

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### (4) Summary of significant accounting policies:

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

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

##### (a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter, referred to as the IFRS endorsed by the FSC).

##### (b) Basis of preparation

###### (i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value ;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(q).

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

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

##### (c) Basis of consolidation

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group’s control commences until the date that control ceases. Intergroup balances and transactions, and any unrealized income and expenses arising from intergroup transactions are eliminated in preparing the consolidated financial statements. Subsidiaries contribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

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

Name of investor	Name of the subsidiaries	Business Activity	Percentage ownership		Remarks
			December 31, 2021	December 31, 2020	
The Company	Emerging Display Technologies Corp., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	
The Company	EDT-Europe ApS	Customer service and business support	100.00%	100.00%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	
The Company	EDT-Japan Corp.	Customer service and business support	100.00%	100.00%	
The Company	Ying Dar Investment Development Corp.	Sale of CTP and LCDs	100.00%	100.00%	
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	
The Company	Tremendous Explore Corp.	Trading	(Note)	(Note)	

Note: Tremendous Explore Corp. was liquidated in July, 2020. The related liquidation procedures had been completed.

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

#### (d) Foreign currency

##### (i) Foreign currency transactions

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

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

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

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

- (i) The liability is expected to be settled in the normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period;
- (iv) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (g) Financial instrument

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

#### (i) Financial assets

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

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

##### 1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

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

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

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

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

#### 3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### 4) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets ;
- how the performance of the portfolio is evaluated and reported to the Group's management ;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed ;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, amount and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

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

#### 6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

ECLs are a probability-weighted estimate of the expected lifetime credit losses on financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the Group in accordance with the contracts and the cash flow the Group expects to receive). ECLs are discounted based on the effective rate of financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being overdue ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower' s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income.

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

#### 7) Derecognition of financial assets

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

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

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

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

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

##### 2) Equity instrument

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 3) Treasury stock

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

#### 4) Financial liabilities

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

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

#### 5) Derecognition of financial liabilities

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

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

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

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

#### (iii) Derivative financial instruments

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

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

#### (h) Inventories

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (i) Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment loss.

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

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

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

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

##### (i) Recognition and measurement

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

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

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

##### (ii) Subsequent cost

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

##### (iii) Depreciation

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

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

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

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

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

##### (iv) Reclassification to investment property

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (k) Leases

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.

##### (i) 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.

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.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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.

As a practical expedient, the Group elects not to assess whether property, plant and equipment rents that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID 19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

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

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

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

(l) Intangible assets

(i) Recognition and measurement

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

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

Other intangible assets that are acquired by the Group include patents and computer software costs are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (iii) Amortization

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

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

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

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

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

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

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

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

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

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

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

### (n) Provision

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

### (o) Revenue

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

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

##### 1) Sale of good

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

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

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

#### 2) Financing components

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

#### (ii) Contract cost with customers

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

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

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

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

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

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

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

#### (p) Government grants

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

#### (q) Employee benefits

##### (i) Defined contribution plans

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

##### (ii) Defined benefit plans

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

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

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

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

##### (iii) Termination benefits

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

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

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

#### (r) Share-based payment

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

expected and actual outcomes.

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

#### (s) Income taxes

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

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

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

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

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

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

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

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

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) The same taxable entity; or
  - 2) Different taxable entities, but where each such entity intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or to realize the assets and settle the liabilities simultaneously.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (t) Earnings per share

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

### (u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID 19 pandemic:

#### (a) Impairment of accounts receivables

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

#### (b) Valuation of obsolete inventories

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

### (6) Explanation of Significant Accounts

#### (a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 304	328
Demand deposits	720,318	565,624
Check deposits	31	82
Time deposits	95,703	273,962
Repurchase agreement	-	402,335
Total	<u>\$ 816,356</u>	<u>1,242,331</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

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

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss – current:		
Open-end mutual funds	\$ -	58,817
Forward exchange contracts	42	-
	\$ 42	58,817
Financial liabilities measured at fair value through profit or loss – current :		
Swap contract	\$ -	195
	\$ -	195

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

The abovementioned financial assets were not pledged as collateral.

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

	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity Date
Forward exchange contracts			
Sell	USD 800	USD to CNY	2022.01.14
	December 31, 2020		
	Contract amount (in thousands)	Currency	Maturity Date
Swap contract	USD 1,000	NTD to USD	2021.01.07

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

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income – current :		
Common stocks listed on domestic markets – current		
Innolux Corp.	\$ 22,483	16,174
Fubon Financial Holding Co., Ltd.	-	14,025
Nan Ya Plastics Corporation	-	15,099

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Pegatron Co., Ltd.	\$	14,925	14,537
CoAsia Electronics Corp.		7,120	5,764
E.SUN Financial Holding Co., Ltd.		-	19,310
Far Eastern New Century Corp.		-	28,950
Quanta Computer Inc.		66,195	-
Shian Yih Electronic Co., Ltd.		31,350	30,637
AGV Products Corporation		-	1,011
Chicony Electronics Co., Ltd.		24,690	-
Lite-On Technology Corp.		39,556	-
Mega Financial Holding Co., Ltd.		43,940	-
Taiwan Cement Corp., Ltd.		37,920	-
Total		<u>288,179</u>	<u>145,507</u>
Common stocks listed on foreign markets -current :			
Becton, Dickinson and Company		<u>13,922</u>	<u>14,253</u>
Total		<u><b>\$ 302,101</b></u>	<u><b>159,760</b></u>
Equity investments at fair value through other comprehensive income – noncurrent :			
Common stocks unlisted on domestic markets - noncurrent:			
Ascendax Venture Capital Corp.	\$	21,376	19,566
Chenfeng Optronics Corp.		<u>91,210</u>	<u>78,260</u>
Total		<u>112,586</u>	<u>97,826</u>
Preference stocks listed on domestic markets- noncurrent :			
Fubon Financial Holding Co., Ltd		<u>874</u>	<u>865</u>
Total		<u><b>\$ 113,460</b></u>	<u><b>98,691</b></u>

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

For the years ended December 31, 2021 and 2020, the Group has recognized the dividend income of \$27,447 and \$9,320 from equity instruments designated at fair value through other comprehensive income, respectively.

For the years ended December 31, 2021 and 2020, the Group with the objective of investment and financial management had sold financial assets at fair value of \$246,616 and \$72,815, and accumulated gain on disposal of investments were \$34,239 and \$8,537, which had been reclassified from other equity interest to retained earnings, respectively

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

The abovementioned financial assets were not pledged as collateral.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

For the purpose of increasing investment profits, the Group entrusts partial listed companies as the beneficiary. According to the terms of the contract, the Group does not transfer risk and remuneration of these financial assets, and they had not been derecognized. As of December 31, 2021, and 2020, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$22,483 and \$16,174, respectively.

(d) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable-measured at amortized cost	\$ 755,372	595,163
Allowance for impairment	(5,842)	(5,613)
	<b>\$ 749,530</b>	<b>589,550</b>

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 :

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 604,526	0.11%	686
Overdue 1~90 days	146,013	0.23%	334
Overdue 91~180 days	9	0.10%	-
Overdue 181~270 days	-	-	-
Overdue 271~365 days	2	21.39%	-
Overdue 365 days	4,822	100%	4,822
	<b>\$ 755,372</b>		<b>5,842</b>

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 495,965	0.12%	574
Overdue 1~90 days	95,060	0.96%	908
Overdue 91~180 days	4,138	100%	4,131
Overdue 181days	-	-	-
	<b>\$ 595,163</b>		<b>5,613</b>

## 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 years ended December 31	
	2021	2020
Balance at January 1	\$ 5,613	18,771
Impairment losses recognized (reversed)	164	5,618
Amounts written off	-	(18,771)
Collection of previously written off accounts	70	-
Effect of changes in foreign currency exchange rates	(5)	(5)
Balance on December 31	<b>\$ 5,842</b>	<b>5,613</b>

The abovementioned financial assets were not pledged as collateral.

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

(e) Other receivables

	December 31, 2021	December 31, 2020
Loans to employee	\$ 1,475	5,154
Others	1,348	936
Allowance for impairment	-	-
	<b>\$ 2,823</b>	<b>6,090</b>

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

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials and supplies	\$ 525,651	346,225
Work in process	303,876	299,441
Finished goods	220,020	215,535
Inventories in transit	6,618	9,300
Total	<b>\$ 1,056,165</b>	<b>870,501</b>

The details of cost of sales are as follows:

	For the years ended December 31	
	2021	2020
Reclassification to cost of sales and expenses	\$ 3,404,512	2,866,527
Inventory loss of write-down (gain on reversal of inventory)	(7,393)	(8,532)
Unamortized manufacturing expenses	14,973	19,392
Loss on scrap	58,335	74,194
Others	(209)	(149)
Total	<b>\$ 3,470,218</b>	<b>2,951,432</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

Inventories were not pledged as collaterals.

(g) Other assets

The details of other current assets are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax refund receivables	\$ 2,067	1,954
Prepayment for purchases	12,968	63,725
Prepaid expenses	5,111	6,757
Input VAT	24,547	5,496
Restricted time deposits	3,050	2,051
Refundable deposits	7,988	10,164
Others	4,505	3,545
	<b>\$ 60,236</b>	<b>93,692</b>
Recognized in :		
Other current assets	\$ 51,997	83,002
Other financial assets – non-current	8,239	10,690
	<b>\$ 60,236</b>	<b>93,692</b>

The above-mentioned restricted time deposits had been pledged as collateral. Please refer to note 8.

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

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

Name of subsidiaries	Principal place of business	Proportion of non-controlling interest voting equity	
		December 31, 2021	December 31, 2020
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current asset	\$ 9,902	10,002
Non-current asset	78,180	67,080
Current liability	<u>(50)</u>	<u>(50)</u>
Net asset	<u><b>\$ 88,032</b></u>	<u><b>77,032</b></u>
Non-controlling equity closing book amount	<u><b>\$ 41,815</b></u>	<u><b>36,591</b></u>

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<u>\$ -</u>	<u><b>3</b></u>
Net profit(loss)	\$ (100)	(100)
Other comprehensive income	<u>11,100</u>	<u>(39,240)</u>
Comprehensive income	<u><b>\$ 11,000</b></u>	<u><b>(39,340)</b></u>
Profit attributable to non-controlling interest	<u><b>\$ (48)</b></u>	<u><b>(48)</b></u>
Comprehensive income attributable to non-controlling interest	<u><b>\$ 5,225</b></u>	<u><b>(18,686)</b></u>

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash flow from operating activities	\$ (100)	(100)
Cash flow from investing activities	-	-
Cash flow from financing activities	<u>-</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	<u><b>\$ (100)</b></u>	<u><b>(100)</b></u>

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current asset	\$ 119,265	138,640
Non-current asset	39,522	15,264
Current liability	(72,464)	(53,503)
Non-current liabilities	<u>(9,274)</u>	<u>-</u>
Net asset	<u><b>\$ 77,049</b></u>	<u><b>100,401</b></u>
Non-controlling equity closing book amount	<u><b>\$ 3,237</b></u>	<u><b>4,217</b></u>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<b>\$ 200,113</b>	<b>179,986</b>
Net profit(loss)	\$ (16,595)	(10,058)
Other comprehensive income	(6,758)	983
Comprehensive income	<b>\$ (23,353)</b>	<b>(9,075)</b>
Profit attributable to non-controlling interest	<b>\$ (697)</b>	<b>(422)</b>
Comprehensive income attributable to non-controlling interest	<b>\$ (981)</b>	<b>(381)</b>
	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash flow from operating activities	\$ 32,250	5,990
Cash flow from investing activities	(12,460)	(1,854)
Cash flow from financing activities	(6,907)	(5,070)
Effects of changes in foreign exchange rates	(75)	172
Net increase(decrease) in cash and cash equivalents	<b>\$ 12,808</b>	<b>(762)</b>

(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
<b>Cost or deemed cost:</b>						
Balance at January 1, 2021	\$ 23,940	1,048,089	2,402,579	28,273	146,461	3,649,342
Additions	-	8,653	10,242	517	33,932	53,344
Reclassification	-	-	14,966	-	(14,966)	-
Disposals	-	(65)	(53,289)	(134)	(7,774)	(61,262)
Effect of movements in exchange rates	(672)	(1,003)	(1,495)	(268)	(143)	(3,581)
Balance at December 31, 2021	<b>\$ 23,268</b>	<b>1,055,674</b>	<b>2,373,003</b>	<b>28,388</b>	<b>157,510</b>	<b>3,637,843</b>
Balance at January 1, 2020	\$ 25,201	1,047,550	2,384,197	28,331	133,476	3,618,755
Additions	-	462	5,403	168	23,052	29,085
Reclassification	-	274	9,717	-	(9,991)	-
Disposals	-	-	-	(107)	(174)	(281)
Effect of movements in exchange rates	(1,261)	(197)	3,262	(119)	98	1,783
Balance at December 31, 2020	<b>\$ 23,940</b>	<b>1,048,089</b>	<b>2,402,579</b>	<b>28,273</b>	<b>146,461</b>	<b>3,649,342</b>
<b>Depreciation:</b>						
Balance at January 1, 2021	\$ -	817,727	2,355,670	27,246	117,385	3,318,028
Depreciation	-	13,597	18,473	325	15,671	48,066
Disposals	-	(65)	(53,279)	(134)	(5,268)	(58,746)
Effect of movements in exchange rates	-	(448)	(1,455)	(244)	(120)	(2,267)
Balance at December 31, 2021	<b>\$ -</b>	<b>830,811</b>	<b>2,319,409</b>	<b>27,193</b>	<b>127,668</b>	<b>3,305,081</b>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Balance at January 1, 2020	\$ -	800,136	2,330,684	26,927	95,053	3,252,800
Depreciation	-	17,021	21,815	509	22,423	61,768
Disposals	-	-	-	(107)	(174)	(281)
Effect of movements in exchange rates	-	570	3,171	(83)	83	3,741
Balance at December 31, 2020	<u>\$ -</u>	<u>817,727</u>	<u>2,355,670</u>	<u>27,246</u>	<u>117,385</u>	<u>3,318,028</u>

**Carrying amount :**

Balance at December 31, 2021	<u>\$ 23,268</u>	<u>224,863</u>	<u>53,594</u>	<u>1,195</u>	<u>29,842</u>	<u>332,762</u>
Balance at January 1, 2020	<u>\$ 25,201</u>	<u>247,414</u>	<u>53,513</u>	<u>1,404</u>	<u>38,423</u>	<u>365,955</u>
Balance at December 31, 2020	<u>\$ 23,940</u>	<u>230,362</u>	<u>46,909</u>	<u>1,027</u>	<u>29,076</u>	<u>331,314</u>

1. Please refer to Note 6(y) for detail of disposal gain and loss.

2. 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
<b>Right-of-use assets cost:</b>				
Balance at January 1, 2021	\$ 66,409	27,904	326	94,639
Additions	-	25,272	346	25,618
Effect of changes in foreign exchange rates	-	(1,492)	(14)	(1,506)
Balance at December 31, 2021	<u>\$ 66,409</u>	<u>51,684</u>	<u>658</u>	<u>118,751</u>
Balance at January 1, 2020	\$ 67,226	23,509	214	90,949
Additions	-	4,323	338	4,661
Disposals	-	-	(211)	(211)
Other	(817)	-	-	(817)
Effect of changes in foreign exchange rates	-	72	(15)	57
Balance at December 31, 2020	<u>\$ 66,409</u>	<u>27,904</u>	<u>326</u>	<u>94,639</u>
<b>Depreciation:</b>				
Balance at January 1, 2021	\$ 5,482	21,893	36	27,411
Depreciation	2,722	11,958	280	14,960
Effect of changes in foreign exchange rates	-	(1,090)	(5)	(1,095)
Balance at December 31, 2021	<u>\$ 8,204</u>	<u>32,761</u>	<u>311</u>	<u>41,276</u>
Balance at January 1, 2020	\$ 2,757	10,857	128	13,742
Depreciation	2,725	10,848	122	13,695
Disposals	-	-	(211)	(211)
Effect of changes in foreign exchange rates	-	188	(3)	185
Balance at December 31, 2020	<u>\$ 5,482</u>	<u>21,893</u>	<u>36</u>	<u>27,411</u>
<b>Carrying amount:</b>				
Balance at December 31, 2021	<u>\$ 58,205</u>	<u>18,923</u>	<u>347</u>	<u>77,475</u>
Balance at January 1, 2020	<u>\$ 64,469</u>	<u>12,652</u>	<u>86</u>	<u>77,207</u>
Balance at December 31, 2020	<u>\$ 60,927</u>	<u>6,011</u>	<u>290</u>	<u>67,228</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(k) Investment property

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

Rental income of leased investment property has a fixed amount.

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

	Land	Building and construction	Total
<b>Cost or deemed cost:</b>			
Balance at January 1, 2021	\$ 45,333	15,500	60,833
Effect of changes in foreign exchange rates	(1,274)	(435)	(1,709)
Balance at December 31, 2021	<b>\$ 44,059</b>	<b>15,065</b>	<b>59,124</b>
Balance at January 1, 2020	\$ 47,720	15,418	63,138
Additions	-	886	886
Effect of changes in foreign exchange rates	(2,387)	(804)	(3,191)
Balance at December 31, 2020	<b>\$ 45,333</b>	<b>15,500</b>	<b>60,833</b>
<b>Depreciation:</b>			
Balance at January 1, 2021	\$ -	5,675	5,675
Depreciation	-	649	649
Effect of changes in foreign exchange rates	-	(167)	(167)
Balance at December 31, 2021	<b>\$ -</b>	<b>6,157</b>	<b>6,157</b>
Balance at January 1, 2020	\$ -	5,304	5,304
Depreciation	-	660	660
Effect of changes in foreign exchange rates	-	(289)	(289)
Balance at December 31, 2020	<b>\$ -</b>	<b>5,675</b>	<b>5,675</b>
<b>Carrying amount:</b>			
Balance at December 31, 2021	<b>\$ 44,059</b>	<b>8,908</b>	<b>52,967</b>
Balance at January 1, 2020	<b>\$ 47,720</b>	<b>10,114</b>	<b>57,834</b>
Balance at December 31, 2020	<b>\$ 45,333</b>	<b>9,825</b>	<b>55,158</b>
<b>Fair value:</b>			
Balance at December 31, 2021			<b>\$ 58,427</b>
Balance at December 31, 2020			<b>\$ 63,485</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

When measuring the fair value of investment property, the Group considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. As of December 31, 2021 and 2020, the yields applied to the net annual rentals to determine the fair value of investment property were both 5.5%, its fair value evaluation technology makes the input value belong level 3.

The investment property were not pledged as collateral.

#### (1) Intangible assets

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

	<u>Patent and other</u>	<u>Computer software cost</u>	<u>Total amount</u>
<b>Initial cost:</b>			
Balance as of January 1, 2021	\$ 2,888	9,477	12,365
Individual acquisition	339	485	824
Disposals	(198)	(953)	(1,151)
Effects of changes in foreign exchange rates	-	(18)	(18)
Balance as of December 31, 2021	<u>\$ 3,029</u>	<u>8,991</u>	<u>12,020</u>
Balance as of January 1, 2020	\$ 3,557	8,018	11,575
Individual acquisition	296	1,484	1,780
Disposals	(965)	-	(965)
Effects of changes in foreign exchange rates	-	(25)	(25)
Balance as of December 31, 2020	<u>\$ 2,888</u>	<u>9,477</u>	<u>12,365</u>
<b>Amortization:</b>			
Balance as of January 1, 2021	\$ 1,433	6,821	8,254
Amortization	259	990	1,249
Disposals	(198)	(953)	(1,151)
Effects of changes in foreign exchange rates	-	(17)	(17)
Balance as of December 31, 2021	<u>\$ 1,494</u>	<u>6,841</u>	<u>8,335</u>
Balance as of January 1, 2020	\$ 2,137	5,661	7,798
Amortization	261	1,186	1,447
Disposals	(965)	-	(965)
Effects of changes in foreign exchange rates	-	(26)	(26)
Balance as of December 31, 2020	<u>\$ 1,433</u>	<u>6,821</u>	<u>8,254</u>
<b>Book value:</b>			
Balance as of December 31, 2021	<u>\$ 1,535</u>	<u>2,150</u>	<u>3,685</u>
Balance as of January 1, 2020	<u>\$ 1,420</u>	<u>2,357</u>	<u>3,777</u>
Balance as of December 31, 2020	<u>\$ 1,455</u>	<u>2,656</u>	<u>4,111</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating cost	\$ 284	308
Operating expense	965	1,139
	<b>\$ 1,249</b>	<b>1,447</b>

Intangible assets were not pledged as collateral.

#### (m) Short-term loans

The details of short-term loans were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank loans	\$ -	700,000
Total	<b>\$ -</b>	<b>700,000</b>
Unused lines of credit	<b>\$ 1,979,365</b>	<b>1,173,097</b>
Range of interest rates	-	<b>0.80%~0.85%</b>

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

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

#### (n) Other payables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Salaries and wages payables	\$ 48,584	47,042
Year-end bonus payables	67,000	68,000
Employee remuneration payables	14,486	14,683
Directors' and supervisors' remuneration payables	6,727	7,010
Employee benefits liabilities	29,329	34,270
Others	124,582	103,513
	<b>\$ 290,708</b>	<b>274,518</b>

#### (o) Long-term loans

The details of long-term loans were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Commercial paper payable	\$ 400,000	-
Less: discount on long-term borrowings	1,651	-
Total	<b>\$ 398,349</b>	<b>-</b>
Unused long-term credit lines	<b>\$ 400,000</b>	<b>800,000</b>
Range of interest rates	<b>1.1610%</b>	-

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Group signed a 5-year syndicated loan contract with E-SUN bank and six other banks on May 15, 2020, with a revolving credit line of \$800,000 from the first appropriation date to maturity date, wherein \$800,000 can be appropriated by using the banks' own fund and \$600,000 by using Group-issued commercial paper guaranteed by the banks, and the combined credit line should not exceed \$800,000. According to the loan contract, 9 months after the date the contract was signed will be considered as the first appropriation date to calculate the revolving credit even if the credit line is unused after 9 months. The credit line, with a total of five phases, decreases every 6 months, beginning the 36th month after the first appropriation date. The first to fourth phases of the total credit line amounting to \$800,000 will decrease by 12.5%, and the fifth phase will decrease by 50%. As the credit line decreases, the residual of the excess credit line will be repaid upon maturity. The Group issued a total of \$400,000 commercial paper on February 5, 2021, with restrictions related to the contract are as follows:

Pursuant to the loan contract, for the duration of the loan, the Group must conform to the predetermined financial covenants involving special financial ratios calculated based on the annual consolidated financial statements. If the special financial ratios cannot meet the requirement, the Group should improve within nine months after the end of the fiscal year. If the adjusted financial ratios reviewed by the certified accountant meet the requirements, it will not be regarded as breach of the contract. During the period for adjustment, unused lines of credit, excluding the revolving credit extension, will be suspended until such ratios are in compliance with the contract requirement. However, during the said period, the interest rate and the commercial paper guaranty fee would increase to 1.25% unless the majority of the consortium agreed the exemption. Before the final agreement is made by the majority of the consortium, the violation of financial ratios would not be viewed as breach. The financial covenants were as follows:

- (i) A minimum current ratio of 100% should be maintained.
- (ii) A maximum debt ratio of 150% should be maintained.
- (iii) A minimum times interest earned ratio of 2.5 should be maintained.
- (iv) Minimum net tangible assets of 140,000 should be maintained.

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

#### (p) Lease liabilities

The details of lease liabilities were as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<b>\$ 11,644</b>	<b>7,325</b>
Non-Current	<b>\$ 68,730</b>	<b>61,833</b>

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

The amounts recognized in profit or loss were as follows :

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<b>\$ 3,136</b>	<b>2,581</b>
Expenses relating to short-term leases	<b>\$ 1,491</b>	<b>1,915</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 240</b>	<b>243</b>
COVID-19-related rent concessions (recognized as deduction of depreciation expenses of right-of-use assets)	<b>\$ -</b>	<b>1,418</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

	For the years ended December 31	
	2021	2020
Total cash outflow for leases	\$ 18,778	16,413

(i) Lease of land, building and construction

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.

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

Part of the lease includes an option to extend the same period of the original contract at the end of the lease term. The lease agreements for some of the equipment include the option to extend the lease or terminate the lease, which are managed separately by each region, and therefore the individual terms and conditions agreed upon are different within the Group. These options are only for the 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 two to three 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.

(q) Operating lease

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) Investment property.

The maturity analysis of lease payments was the total undiscounted lease payments to be received in the future disclosed as of December 31, 2021, as below :

	December 31, 2021	December 31, 2020
Less than one year	\$ 3,601	3,689
Between one and two years	2,761	3,799
Between two and four years	-	2,913
Undiscounted total lease payments	\$ 6,362	10,401

For the years ended December 31, 2021 and 2020, the investment property rental income recognized in other income amounting to \$3,384 and \$3,570 respectively. No significant maintenance and repair costs for investment property.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(r) Employee benefits

(i) Defined benefit plan

The defined benefit obligation was as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of defined benefit obligations	\$ 228,880	209,209
Fair value of plan assets	(127,903)	(122,161)
Net liabilities of defined benefit obligations	<b>\$ 100,977</b>	<b>87,048</b>

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

1) Composition of plan assets

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

The Group's labor pension reserve account balance in Bank of Taiwan amounted to \$127,903 as of December 31, 2021. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 209,209	202,792
Current service and interest cost	2,148	2,834
Remeasurement of the net defined benefit liability		
— Actuarial loss (gain) on financial assumptions change	(1,957)	(3,486)
— Experience	22,126	8,013
Employee benefits paid	(2,646)	(944)
Balance at December 31	<b>\$ 228,880</b>	<b>209,209</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 3) Movements of defined benefit plan assets

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 122,161	114,246
Plan expected return	929	1,305
Remeasurement of net defined benefit liability (assets)		
– Return on plan assets (excluding current interest cost)	1,232	3,241
Contributions made by employer	4,462	4,313
Employee benefit paid	(881)	(944)
Balance at December 31	<b>\$ 127,903</b>	<b>122,161</b>

#### 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current service costs	\$ 582	556
Net interest costs on net defined benefit liabilities (assets)	637	973
	<b>\$ 1,219</b>	<b>1,529</b>
Operating cost	\$ 912	1,156
Selling expenses	50	58
General and administrative expenses	148	180
Research and development expenses	109	135
	<b>\$ 1,219</b>	<b>1,529</b>
Actual return on assets	<b>\$ 2,161</b>	<b>4,546</b>

#### 5) Actuarial assumptions

The following are the Group's principal actuarial assumptions :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.750%	0.750%
Future salary increases	1.750%	2.000%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$4,326.

The weighted-average lifetime of the defined benefits plans is 16.54 years.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 6) Sensitivity analysis

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

	<b>Present value of defined benefit obligation</b>	
	<b>Increased</b>	<b>Decreased</b>
December 31, 2021		
Discount rate (change of 0.25%)	\$ (7,763)	8,144
Change in future salary (change of 0.25%)	\$ 7,901	(7,578)
December 31, 2020		
Discount rate (change of 0.25%)	\$ (7,562)	7,907
Change in future salary (change of 0.25%)	\$ 7,692	(7,388)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

#### (ii) Defined contribution plan

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

The pension benefit of Dong Guan Emerging Display Limited, Emerging Display Technologies Corp., U.S.A., EDT-Europe Aps, Emerging Display Korea and EDT-Japan Corp. are based on their respective local regulation of defined contribution plan. The accrued expenses should be recognized as current expenses. Besides, Ying Dar Investment Development Corp., Bae Haw Investment Development Corp., Ying Cheng Investment Corp., Emerging Display International (Samoa) Corp. and Tremendous Explore Corp. (Tremendous Explore Corp. was liquidated in July, 2020) do not have any employee and pension plan. Therefore, there is no pension benefit obligation required.

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating Cost	\$ 24,594	19,576
Selling expenses	5,425	5,215
General and administrative expenses	2,270	1,689
Research and development expenses	2,772	2,784
	<b>\$ 35,061</b>	<b>29,264</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(s) Income tax

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense		
Current	\$ 28,390	42,807
Adjust previous current tax	(7,124)	(2,818)
	21,266	39,989
Deferred tax expense		
Origination and reversal of temporary differences	11,326	1,680
Change in unrecognized deductible temporary differences	(1,203)	(556)
	10,123	1,124
Income tax expense	<b>\$ 31,389</b>	<b>41,113</b>

No income tax was recognized directly in equity in 2021. The amount of income tax recognized directly in equity for 2020 was as follows :

	<b>Amount</b>
Capital surplus - disgorgement	<b>\$ 118</b>

The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows :

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Items that will not be reclassified subsequently to profit or loss :		
Unrealized gains (losses) from investment in equity instruments measured at fair value through other comprehensive income	<b>\$ (66)</b>	<b>298</b>

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

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	<b>\$ 267,924</b>	<b>274,109</b>
Income tax calculated based on the Group's tax rate	\$ 53,585	54,822
Effect of overseas income tax differences	3,607	2,051
Tax-exempt income for dividend income	(5,445)	(1,862)
Tax-exempt income for gains derived from the securities transactions	(339)	(1,295)
Change in unrecognized temporary differences	(1,203)	(556)
Investment tax credits	(10,475)	(10,900)
Additional tax on undistributed earnings	-	1,894
Adjustment for prior periods	(7,124)	(2,818)
Others	(1,217)	(223)
Income tax expenses	<b>\$ 31,389</b>	<b>41,113</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2021	December 31, 2020
Pension expense	\$ 84,764	73,130
Temporary variances related to invest subsidiaries	164,835	157,380
	<b>\$ 249,599</b>	<b>230,510</b>

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

2) Recognized deferred tax assets and liabilities

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

Deferred tax liabilities :

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Other	Total
<b>Balance at January 1, 2021</b>	\$ 298	56	354
Recognized in profit or loss	-	(48)	(48)
Recognized in other comprehensive income	(66)	-	(66)
<b>Balance at December 31, 2021</b>	<b>\$ 232</b>	<b>8</b>	<b>240</b>
<b>Balance at January 1, 2020</b>	\$ -	-	-
Recognized in profit or loss	-	56	56
Recognized in other comprehensive income	298	-	298
<b>Balance at December 31, 2020</b>	<b>\$ 298</b>	<b>56</b>	<b>354</b>

Deferred tax assets :

	Inventory valuation loss	Unrealized sales profit	Unrealized foreign exchange loss	Employee benefits liabilities	Other	Total
<b>Balance at January 1, 2021</b>	\$ 9,290	3,062	6,314	4,682	8,580	31,928
Recognized in profit or loss	(1,496)	(1,101)	(5,702)	465	(2,337)	(10,171)
Effect of exchange rate changes	-	-	-	-	(20)	(20)
<b>Balance at December 31, 2021</b>	<b>\$ 7,794</b>	<b>1,961</b>	<b>612</b>	<b>5,147</b>	<b>6,223</b>	<b>21,737</b>
<b>Balance at January 1, 2020</b>	\$ 11,046	2,713	6,076	4,346	8,822	33,003
Recognized in profit or loss	(1,756)	349	238	336	(235)	(1,068)
Effect of exchange rate changes	-	-	-	-	(7)	(7)
<b>Balance at December 31, 2020</b>	<b>\$ 9,290</b>	<b>3,062</b>	<b>6,314</b>	<b>4,682</b>	<b>8,580</b>	<b>31,928</b>

(iii) Assessment of tax

The Group's tax returns for the years through 2019 were assessed by the R.O.C tax authority.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (t) Share capital and other equities

##### (i) Ordinary shares

As of December 31, 2021 and 2020, the authorized share capital of the Group amounted to \$3,500,000, comprising 350,000 thousand shares with a par value of New Taiwan dollars (TWD) 10 per share. Issued shares were both 162,408 thousand shares. The weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Group's subsidiaries were both 148,613 thousand shares.

##### (ii) Capital surplus

The balances of capital surplus were as follows :

	December 31, 2021	December 31, 2020
Treasury share transactions	\$ 25,503	14,950
Disgorgement	473	473
Return of employee stock ownership trust	4	-
Total	<u>\$ 25,980</u>	<u>15,423</u>

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

##### (iii) Retained Earning

The Company's article of incorporation stipulate that Company's net earnings, after paying any taxes, should first be used to offset the prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve. Only if the legal reserve has attained to the paid-in capital could be the exception, besides, special reserves are supposed to set aside or reversed in accordance with the needs of the Company's operations or the relevant regulations of the government. And then any remaining profit together with any undistributed retained earnings will be distributable earnings. No more than 80% of current year's distributable earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. But cash-based dividends, including cash distribution from legal reserve and capital surplus, will first have to be approved by the Board of Directors and be reported at the shareholders' meeting.

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

##### 1) Legal reserve

When a Group incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 2) Special reserve

In accordance with the regulation of the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. (Current-period earnings and undistributed prior-period earnings were reclassified as a special earnings reserve during the earnings distribution in 2020. Current-period net income after tax plus those undistributed current-period earnings and undistributed prior-period earnings were reclassified as a special earnings reserve during the earnings distribution in 2021.) Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2021 and 2020, resolutions were passed during the board meeting for the Group to reclassify \$117,815 and \$102,612, respectively, as a special earnings reserve.

#### 3) Earnings distribution

According to the resolutions of the Board of Directors held on March 10, 2021 and the resolutions of the annual shareholders' meeting held on June 12, 2020, the appropriations of dividend from the distributable retained earnings of 2019 were as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividends distributed to ordinary shareholders (New Taiwan Dollar)		
Cash	<b>\$ 1.2</b>	<b>1.2</b>

The amount of cash dividends on the appropriations of earnings for 2021 has been approved during the board meeting on March 10, 2022. The relevant dividend distributions to shareholders is \$1.2 per share.

#### (iv) Other equity (net of tax)

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance at January 1, 2021	\$ (18,296)	(99,519)	(117,815)
— Changes of the Group	(11,702)	59,265	47,563
— Disposal of investments in equity instrument designated at FVOCI	—	(34,239)	(34,239)
Balance at December 31, 2021	<b>\$ (29,998)</b>	<b>(74,493)</b>	<b>(104,491)</b>
Balance at January 1, 2020	\$ (14,111)	(88,501)	(102,612)
— Changes of the Group	(4,185)	(2,481)	(6,666)
— Disposal of investments in equity instrument designated at FVOCI	—	(8,537)	(8,537)
Balance at December 31, 2020	<b>\$ (18,296)</b>	<b>(99,519)</b>	<b>(117,815)</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(v) Treasury stock

The changes of treasury stocks were as follows :

	(Unit: thousands)			
Reason to repurchase	January 1	Shares repurchase	Shares retired	December 31
<b>January to December, 2021</b>				
To transfer shares to the Group's employee	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>January to December, 2020</b>				
To transfer shares to the Group's employee	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>

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

As of December 31, 2021 and 2020, the costs of treasury shares both amounted to \$50,739.

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

Ying Dar Corp. and Bae Haw Corp., subsidiaries of the Group, held the Group's common stock. In 2021 and 2020, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Group's shares. As of December 31, 2021 and 2020, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Group's common stock. The cost was \$122,282 which was recognized in treasury shares. As of December 31, 2021 and 2020, their market values amounted to \$171,051 and \$169,292, respectively.

(u) Earnings per share

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders of the Group	<u>\$ 237,280</u>	<u>233,466</u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	<u>148,613</u>	<u>148,613</u>
Expressed in New Taiwan dollars	<u>\$ 1.60</u>	<u>1.57</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders of the Group	<u>\$ 237,280</u>	<u>233,466</u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	148,613	148,613
Effect of potentially dilutive ordinary stock— Employee share bonus (expressed in thousands of shares)	<u>886</u>	<u>962</u>
Weighted-average number of ordinary shares— diluted (expressed in thousands of shares)	<u>149,499</u>	<u>149,575</u>
Expressed in New Taiwan dollars	<u>\$ 1.59</u>	<u>1.56</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

(v) Revenue from Contracts with Customers

(i) Disaggregation of revenue

	<b>For the years ended December 31, 2021</b>			
	<b>Domestic</b>	<b>North America</b>	<b>Other operating department</b>	<b>Total</b>
Primary geographical markets:				
Europe	\$ 2,357,946	-	820	2,358,766
USA	576	920,310	-	920,886
Others	689,306	214,086	359	903,751
Total	<b>\$ 3,047,828</b>	<b>1,134,396</b>	<b>1,179</b>	<b>4,183,403</b>
Major products:				
Liquid crystal display modules	\$ 735,636	460,837	-	1,196,473
Capacitive touch panel and capacitive touch panel module	2,238,348	627,071	-	2,865,419
Others	73,844	46,488	1,179	121,511
Total	<b>\$ 3,047,828</b>	<b>1,134,396</b>	<b>1,179</b>	<b>4,183,403</b>
	<b>For the years ended December 31, 2020</b>			
	<b>Domestic</b>	<b>North America</b>	<b>Other operating department</b>	<b>Total</b>
Primary geographical markets:				
Europe	\$ 2,091,963	1,724	437	2,094,124
USA	536	889,092	-	889,628
Others	482,622	270,480	445	753,547
Total	<b>\$ 2,575,121</b>	<b>1,161,296</b>	<b>882</b>	<b>3,737,299</b>
Major products:				
Liquid crystal display modules	\$ 731,741	513,857	-	1,245,598
Capacitive touch panel and capacitive touch panel module	1,814,737	602,543	-	2,417,280
Others	28,643	44,896	882	74,421
Total	<b>\$ 2,575,121</b>	<b>1,161,296</b>	<b>882</b>	<b>3,737,299</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) Contract balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Accounts receivable (including related parties)	\$ 755,372	595,163	556,362
Less: Allowance for impairment	(5,842)	(5,613)	(18,771)
Total	<u>\$ 749,530</u>	<u>589,550</u>	<u>537,591</u>
Contract liability – unearned revenue (recognized in other current liabilities)	<u>\$ 40,390</u>	<u>33,286</u>	<u>13,031</u>

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

The amount of revenue recognized for the year ended December 31, 2021 and 2020, that was included in the contract liability balance at the beginning of the period were \$10,784 and \$5,031, respectively.

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

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

For the year ended December 31, 2021 and 2020, the Group estimated its employee remuneration amounting to \$14,486 and \$14,683, and directors' and supervisors' remuneration amounting to \$8,691 and \$8,810, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Group's articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. The aforementioned amounts, as stated in the parent-Group-only financial statements, are identical to those of the actual distributions approved by Board of Directors for 2021 and 2020. Related information would be available at the Market Observation Post System website.

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

Net other income (expenses) consists of rental income from investment property and lending space.

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

(i) Interest income

The details of interest income were as follows :

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 1,218	9,611
Other	26	88
	<u>\$ 1,244</u>	<u>9,699</u>

(ii) Other income

The details of other income were as follows :

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Dividend income	\$ 27,447	9,320
Other	792	6,176
	<u>\$ 28,239</u>	<u>15,496</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(iii) Other gains and losses

Details of other gains and losses were as follows :

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains (losses)	\$ (24,402)	(75,156)
Net gains (losses) on disposal of financial assets (liabilities) measured at fair value through profit or loss	6,227	1,818
Net gains on disposal of property, plant and equipment	1,292	-
Others	(2,354)	(337)
	<b>\$ (19,237)</b>	<b>(73,675)</b>

(iv) Finance costs

Details of finance costs were as follows :

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest expenses		
Bank loans	\$ 5,841	8,482
Lease liabilities	3,136	2,581
Management fee of syndicated loan	200	300
	<b>\$ 9,177</b>	<b>11,363</b>

(z) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

As of December 31, 2021 and 2020, two customers accounted for 46.31% and one customer accounted for 45.56% of total accounts receivable, respectively.

3) Credit risk of accounts receivable

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

Other financial assets at amortized cost include other receivables, refundable deposits, and restricted time deposits. All of these financial assets are considered to have low risk, and thus, the credit loss allowance recognized during the period was limited to 12 months expected credit losses. There was no loss allowance recognized. Please refer to notes 6(e) and 6(g).

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (ii) Liquidity risk

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

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 year	Due in over 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Secured Long-term loans(including long term loans, current portion) (floating rate)	\$ 398,349	(419,034)	(2,290)	(2,341)	(4,644)	(409,759)	-
Accounts payable (no interest)	559,800	(559,800)	(559,800)	-	-	-	-
Notes payable (no interest)	86	(86)	(86)	-	-	-	-
Other payable (no interest)	290,708	(290,708)	(290,708)	-	-	-	-
Lease liability (fixed interest)	80,374	(112,713)	(7,810)	(6,683)	(12,752)	(13,622)	(71,846)
Guarantee deposits received (no interest)	544	(544)	-	-	(510)	(34)	-
	<b>\$ 1,329,861</b>	<b>(1,382,885)</b>	<b>(860,694)</b>	<b>(9,024)</b>	<b>(17,906)</b>	<b>(423,415)</b>	<b>(71,846)</b>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 700,000	(700,756)	(700,756)	-	-	-	-
Accounts payable (no interest)	400,068	(400,068)	(400,068)	-	-	-	-
Notes payable (no interest)	1,234	(1,234)	(1,234)	-	-	-	-
Other payable (no interest)	274,518	(274,518)	(274,518)	-	-	-	-
Lease liability (fixed interest)	69,158	(102,319)	(5,700)	(3,737)	(5,068)	(11,996)	(75,818)
Guarantee deposits received (no interest)	558	(558)	-	-	-	(558)	-
Derivative financial liabilities							
Swap Contract:	195						
Cash in		28,480	28,480	-	-	-	-
Cash out		(28,703)	(28,703)	-	-	-	-
	<b>\$ 1,445,731</b>	<b>(1,479,676)</b>	<b>(1,382,499)</b>	<b>(3,737)</b>	<b>(5,068)</b>	<b>(12,554)</b>	<b>(75,818)</b>

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

### (iii) Foreign currency risk

#### 1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 55,966	27.68	1,549,141	62,555	28.48	1,781,570
JPY	18,516	0.2405	4,453	52,538	0.2763	14,516
CNY	1,061	4.344	4,610	4,021	4.377	17,601
EUR	61	31.32	1,911	75	35.02	2,627
<u>Non-monetary items</u>						
USD	503	27.68	13,922	2,566	28.48	73,070
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	19,232	27.68	532,329	14,997	28.48	427,119
JPY	15,651	0.2405	3,764	16,437	0.2763	4,541
EUR	-	31.32	-	72	35.02	2,534
<u>Non-monetary items</u>						
USD	800	27.68	22,144	1,000	28.48	28,480

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the cash and cash equivalents, accounts receivables, other receivables, financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, loan, accounts payables, and other payables. As of December 31, 2021 and 2020, if the exchange rate of the TWD versus the USD, CNY, JPY, and EUR have increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by \$7,482 and \$9,710, and other comprehensive income after tax would have increased or decreased by \$111 and \$114, respectively. The analysis is performed on the same basis of prior year.

#### 3) Exchange gains and losses on monetary items

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain (loss) of monetary items. For year 2021 and 2020, foreign exchange loss (including realized and unrealized) amounted to gain (loss) \$(24,402) and \$(75,156), respectively.

#### (iv) Interest rate analysis

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

The sensitivity analysis of interest was made based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates was prepared based on the assumption that the outstanding amount at the reporting date had existed for the whole year. The rate of change used by the Group as interest to report to the management lever is  $\pm 0.25\%$  of the interest rate. This also represents the management's assessment of the reasonable scope of change.

If interest rates on loans had increased or decreased by 0.25% with all other variables held constant. Profit after tax for the years 2021 and 2020 would have been decreased or increased by \$800 and \$1,400, respectively, mainly as a result of liabilities bearing floating interest rates.

#### (v) Other price risk

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

Price of securities at reporting date	For the years ended December 31			
	2021		2020	
	Other comprehensive income after tax	Net income after Tax	Other comprehensive income after tax	Net income after Tax
Increase 3%	\$ 12,384	-	7,668	1,412
Decrease 3%	\$ (12,384)	-	(7,668)	(1,412)

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

(vi) Fair value

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income, are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Forward exchange contracts	\$ 42	-	42	-	42
<b>Financial assets at fair value through other comprehensive income</b>					
Equity instrument with quoted market prices	302,975	302,975	-	-	302,975
Equity instrument at fair value without quoted market prices	<u>112,586</u>	-	-	112,586	112,586
Subtotal	<u>415,561</u>				
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	816,356	-	-	-	-
Accounts receivable	749,530	-	-	-	-
Other receivable	2,823	-	-	-	-
Restricted time deposits	3,050	-	-	-	-
Refundable deposits (recognized in other non-current financial assets)	<u>7,988</u>	-	-	-	-
Subtotal	<u>1,579,747</u>				
<b>Total financial assets</b>	<b><u>\$ 1,995,350</u></b>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 398,349	-	-	-	-
Notes payable	86	-	-	-	-
Accounts payable	559,800	-	-	-	-
Other payable	290,708	-	-	-	-
Lease liabilities	80,374	-	-	-	-
Guarantee deposits	<u>544</u>	-	-	-	-
<b>Total financial liabilities</b>	<b><u>\$ 1,329,861</u></b>				

	December 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Debt investment with quoted market price	\$ 58,817	58,817	-	-	58,817
<b>Financial assets at fair value through other comprehensive income</b>					
Equity instrument with quoted market prices	160,625	160,625	-	-	160,625
Equity instrument at fair value without quoted market prices	<u>97,826</u>	-	-	97,826	97,826
Subtotal	<u>258,451</u>				

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

	December 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	\$ 1,242,331	-	-	-	-
Accounts receivable	589,550	-	-	-	-
Other receivable	6,090	-	-	-	-
Restricted time deposits	2,051	-	-	-	-
Refundable deposits (recognized in other non-current financial assets)	<u>10,164</u>	-	-	-	-
Subtotal	<u>1,850,186</u>				
<b>Total financial assets</b>	<b><u>\$ 2,167,454</u></b>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	\$ <u>195</u>	-	195	-	195
<b>Financial liabilities at amortized cost</b>					
Bank loans	700,000	-	-	-	-
Notes payable	1,234	-	-	-	-
Accounts payable	400,068	-	-	-	-
Other payable	274,518	-	-	-	-
Lease liabilities	69,158	-	-	-	-
Guarantee deposits	<u>558</u>	-	-	-	-
Subtotal	<u>1,445,536</u>				
<b>Total financial liabilities</b>	<b><u>\$ 1,445,731</u></b>				

The Group measures its assets and liabilities use input observable market data. The fair value hierarchy categorizes the inputs used in valuation techniques are as follows:

- Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 2) Valuation techniques for financial instruments measured at fair value

#### Non-derivative financial instruments

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

Derivative financial instruments

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

3) Transfer between Level 1 to Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2021 and 2020.

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

	<b>Financial assets measured at FVOCI</b>	
	<b>Unquoted equity instruments</b>	
<b>Balance on January 1, 2021</b>	\$	97,826
Recognized in other comprehensive income		14,760
<b>Balance on December 31, 2021</b>	<b>\$</b>	<b>112,586</b>
<b>Balance on January 1, 2020</b>	\$	139,872
Recognized in other comprehensive income		(42,046)
<b>Balance on December 31, 2020</b>	<b>\$</b>	<b>97,826</b>

5) 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 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 inputs. The significant unobservable inputs of equity investments without active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs 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 fair value through other comprehensive income-equity investments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> <li>• Continuing growth rate (1.44% and 0.48%, respectively, as of December 31, 2021 and 2020)</li> <li>• Weighted average cost of capital (9.75% and 10.52%, respectively, as of December 31, 2021 and 2020)</li> <li>• Market illiquidity discount rate (58.64% and 60.73%, respectively, as of December 31, 2021 and 2020)</li> <li>• Non-controlling interests discount rate (29.48% and 29.87%, respectively, as of December 31, 2021 and 2020)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the continuing growth rate is, the higher the estimated fair value would be.</li> <li>• The higher the weighted average cost of capital is, the lower the estimated fair value would be.</li> <li>• The higher the market illiquidity discount rate is, the lower the estimated fair value would be.</li> <li>• The higher the noncontrolling interests discount is, the lower the estimated fair value would be.</li> </ul>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	• Net Asset Value	N/A

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

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

Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
		Favorable	Unfavorable
December 31, 2021			
Continuing growth rate 1.44%	0.1%	\$ 1,050	1,050
Weighted average cost of capital 9.75%	0.1%	1,400	1,400
Market illiquidity discount rate 58.64%	1%	2,240	2,170
Non-controlling interests discount rate 29.48%	1%	1,260	1,260

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
		Favorable	Unfavorable
December 31, 2020			
Continuing growth rate 0.48%	0.1%	\$ 700	700
Weighted average cost of capital 10.52%	0.1%	350	350
Market illiquidity discount rate 60.73%	1%	1,960	1,960
Non-controlling interests discount rate 29.87%	1%	1,120	1,120

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

#### (aa) Financial risk management

##### (i) Overview

The Group has exposures to the following risks arising from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

##### (ii) Structure of risk management

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

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

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

##### (iii) Credit risk

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

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### 1) Accounts receivable

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

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

### 2) Investments

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

### (iv) Liquidity risk

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

As of December 31, 2021 and 2020, the Group has unused credit facilities for short-term loan amounting to \$2,379,365 and \$1,973,097, respectively.

### (v) Market risk

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

The Group engages in derivative financial instruments trading in order to manage the market risk, thus, generating financial liabilities or financial assets, all the execution of those transactions were under the Board's instruction.

### 1) Currency risk

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

#### 2) Interest risk

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

#### 3) Other market price risk

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

#### (ab) Capital management

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

The Group meets its objectives in managing its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents. The total capital and equity include stock capital, capital surplus, retained earnings, other equity, and non-controlling interest. In 2021, the Group's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting period as at December 31, 2021 and 2020, is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Net debt	<u>\$ 700,704</u>	<u>386,293</u>
Total equity	<u>\$ 2,072,383</u>	<u>1,980,565</u>
Debt-to-equity ratio	33.81%	19.50%

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

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

(i) Please refer to Note 6(j) for right of use assets.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-Cash changes				December 31, 2021
			Foreign exchange movement	Amortizati on	Other (Note 2)	Changes in lease payments	
Short-term loans	\$ 700,000	(700,000)	-	-	-	-	-
Long-term loans (including long term loans, current portion)	(1,600)(Note1)	400,000	-	(51)	-	-	398,349
Lease liabilities	69,158	(13,985)	(417)	-	25,618	-	80,374
Guarantee deposits	558	-	(14)	-	-	-	544
Total liabilities from financing activities	<u>\$ 768,116</u>	<u>(313,985)</u>	<u>(431)</u>	<u>(51)</u>	<u>25,618</u>	<u>-</u>	<u>479,267</u>

  

	January 1, 2020	Cash flows	Non-Cash changes				December 31, 2021
			Foreign exchange movement	Amortizat ion	Other (Note 2)	Changes in lease payments	
Short-term loans	\$ 400,000	300,000	-	-	-	-	700,000
Long-term loans (including long term loans, current portion)	319,555	(320,000)	-	445	-	-	-
Lease liabilities	78,482	(11,616)	(134)	-	3,844	(1,418)	69,158
Guarantee deposits	587	-	(29)	-	-	-	558
Total liabilities from financing activities	<u>\$ 798,624</u>	<u>(31,616)</u>	<u>(163)</u>	<u>445</u>	<u>3,844</u>	<u>(1,418)</u>	<u>769,716</u>

Note 1: Prepaid expense related to syndicated loan

Note 2: Reduction of right-of-use assets

### (7) Related-party transactions

Key management personnel compensation

1) Key management personnel compensation comprised :

	For the years ended December 31	
	2021	2020
Short-term employee benefits	\$ 32,313	27,401
Post-employment benefits	489	415
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 32,802</u>	<u>27,816</u>

2) In 2020, according to the requirement under Section 157 Short-swing Trading of the Securities and Exchange Act, the amount arising from the exercise of disgorgement after tax was \$473, which was recognized as capital surplus.

### (8) Pledged assets:

The carrying values of pledged assets were as follows :

Pledged assets	Purpose	December 31, 2021	December 31, 2020
Restricted time deposits – current	Guarantee for customs	\$ 2,538	1,525
Restricted time deposits – non-current	Performance guarantee	512	526
Property, plant and equipment – buildings	Guarantee for long- term borrowings	173,195	-
		<u>\$ 176,245</u>	<u>2,051</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (9) Commitments and contingencies:

- (a) As of December 31, 2021 and 2020, the Group's unused letters of credit for purchases of raw materials and equipment amounted to \$2,075 and \$4,422, respectively.
- (b) As of December 31, 2021 and 2020, the Group has signed contracts for the purchase of equipment. The unrecognized contingencies of those contracts amounted to \$4,154 and \$1,995, respectively.

#### (10) Losses Due to Major Disasters: none

#### (11) Subsequent Events:

The Group's Board of Directors approved resolutions to retire treasury stocks amounting to 5,000 thousand shares on January 12, 2022. As of March 10, 2022, the related registration procedures had been completed.

#### (12) Other

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

By item	For the years ended December 31					
	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits (Note)						
Salary	454,583	212,032	666,615	413,701	219,648	633,349
Labor and health insurance	47,131	15,360	62,491	41,950	15,422	57,372
Pension expense	25,506	10,774	36,280	20,732	10,061	30,793
Remuneration of directors	-	13,532	13,532	-	11,540	11,540
Others	5,412	1,590	7,002	4,513	1,481	5,994
Depreciation	49,629	14,046	63,675	61,536	13,169	74,705
Amortization	284	965	1,249	308	1,139	1,447

NOTE: The Government subsidy related to COVID-19 for December 31, 2021 and 2020 amounted to \$7,832 and \$4,511, was recognized in decrease of Employee benefits.

#### (13) Supplementary Disclosure Requirements

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

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the year ended December 31, 2021 were as follows:

- (i) Loans extended to other parties : None ◦
- (ii) Guarantees provided to other parties: None
- (iii) Securities owned as of December 31, 2021 (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	December 31, 2021				Highest percentage of ownership during the year	Remarks
				Units (shares)	Carrying value	Percentage of ownership	Fair value		
The Group	Ascendax Venture Capital Corp. stock	-	Financial assets at fair value through other comprehensive income-noncurrent	1,749,300	21,376	5.25%	21,376	5.25%	-
The Group	Chenfeng Optronics Corp. stock	-	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	13,030	1.37%	13,030	1.37%	-

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31, 2021				Highest percentage of ownership during the year	Remarks
				Units (shares)	Carrying value	Percentage of ownership	Fair value		
The Group	Fubon Financial Holding Co., Ltd. preference stock	-	Financial assets at fair value through other comprehensive income-noncurrent	13,845	874	-	874	-	-
The Group	Innolux Corp. stock	-	Financial assets at fair value through other comprehensive income-current	1,147,089	22,483	0.01%	22,483	0.01%	-
The Group	Quanta Computer Inc. stock	-	Financial assets at fair value through other comprehensive income-current	699,000	66,195	0.02%	66,195	0.02%	-
The Group	Pegatron Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	216,000	14,925	0.01%	14,925	0.01%	-
The Group	Chicony Electronics Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	300,000	24,690	0.04%	24,690	0.04%	-
The Group	Lite-On Technology Corp. stock	-	Financial assets at fair value through other comprehensive income-current	620,000	39,556	0.03%	39,556	0.03%	-
The Group	Mega Financial Holding Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	1,236,000	43,940	0.01%	43,940	0.01%	-
The Group	Taiwan Cement Corp., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	790,000	37,920	0.01%	37,920	0.01%	-
The Group	Coasia Microelectronics Corp., stock	-	Financial assets at fair value through other comprehensive income-current	459,344	7,120	0.32%	7,120	0.32%	-
The Group	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	480,000	10,560	0.78%	10,560	0.78%	-
The Group	Becton, Dickinson and Group stock	-	Financial assets at fair value through other comprehensive income-current	2,000	13,922	0.01%	13,922	0.01%	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	550,000	12,100	0.90%	12,100	0.90%	-
Ying Dar Investment Development Corp.	The Group's stock	Parent Group	Financial assets at fair value through other comprehensive income-noncurrent	5,346,672	103,993	3.29%	103,993	3.29%	(NOTE)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	-	1.47%	-	1.47%	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at fair value through other comprehensive income-current	395,000	8,690	0.65%	8,690	0.65%	-
Bae Haw Investment Development Corp.	The Group's stock	Parent Group	Financial assets at fair value through other comprehensive income-noncurrent	3,447,716	67,058	2.12%	67,058	2.12%	(NOTE)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets at fair value through other comprehensive income-noncurrent	6,000,000	78,180	8.22%	78,180	8.22%	-

Note: It was eliminated in the consolidation.

(iv) Accumulated trading amount of a single security in excess of \$300 million or 20% of the Group's issued stock capital: None.

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

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

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

Purchasing (selling) Group	Related party	Nature of Relationship	Details of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	Percentage of net Purchases (sales)	Credit line	Unit price	Payment terms	Balance	Percentage of notes and accounts receivable (payable)	
The Group	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Group	Sale	1,038,132	25.41%	3 months	Sales prices offered to Emerging Display Technologies Corp., U.S.A. were not significantly different from those offered to other customers.	Considering the special 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.	310,944	38.44%	(NOTE)

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Purchasing (selling) Group	Related party	Nature of Relationship	Details of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	Percentage of net Purchases (sales)	Credit line	Unit price	Payment terms	Balance	Percentage of notes and accounts receivable (payable)	
Emerging Display Technologies Corp., U.S.A.	The Group	Subsidiary of the Group	Purchase	1,038,132	100.00%	3 months	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A. There is no comparable transaction.	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	310,944	100.00%	(NOTE)
The Group	Dong Guan Emerging Display Limited	Sub-subsidiary of the Group	Purchase (processing expense)	200,133	7.31%	1~3 months	The Group is the only entity the sub-subsidiary provides processing service to. There is no comparable transaction.	The Group is the only entity the sub-subsidiary provides processing service to.	27,082	5.09%	(NOTE)
Dong Guan Emerging Display Limited	The Group	Sub-subsidiary of the Group	Sale (processing revenue)	200,133	100.00%	1~3 months	The Group is the only entity the sub-subsidiary provides processing service to. There is no comparable transaction.	The Group is the only entity the sub-subsidiary provides processing service to.	27,082	100.00%	(NOTE)

Note: It was eliminated in the consolidation.

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

Name of Group the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Group	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Group	Accounts receivable of \$310,944	4.05	-	-	238,996	-	(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 Group	Emerging Display Technologies Corp., U.S.A.	1	Sales revenue	1,038,132	Considering the trading practices in North American market, the Group set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets. The price in North American market is not significantly different from that in general market.	24.82%
				Accounts receivable	310,944		8.66%
0	The Group	Emerging Display Technologies Corp., U.S.A.	1	Selling expenses - Commission	42	No non-related-party transaction to compare to.	-
				Other payable	21		-
0	The Group	EDT-Europe ApS	1	Selling expenses - Commission	58,210	No non-related-party transaction to compare to.	1.39%
				Other payable	9,434		0.26%
0	The Group	Emerging Display Technologies Korea	1	Selling expenses - Commission	3,862	No non-related-party transaction to compare to.	0.09%
0	The Group	EDT-Japan Corp.	1	Selling expenses - Commission	13,368	No non-related-party transaction to compare to.	0.32%
0	The Group	Dong Guan Emerging Display Limited	1	Processing cost	200,113	No non-related-party transaction to compare to.	4.78%
				Purchase material	27,082		0.75%
				Accounts payable			

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Note : Relationship notes as follows,

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

(b) Information on investees :

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

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Highest percentage owned during the year	Net income (loss) of the investee	Investment income (loss) recognized	Remarks
				December 31, 2021	December 31, 2020	Shares owned	Percentage owned	Carrying value				
The Group	Emerging Display Technologies Corp., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	92,754 (Note 1)	100.00%	12,616	12,646	Subsidiary (Note 3)
The Group	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	60,475	78.49%	(16,595)	(13,025)	Subsidiary (Note 3)
The Group	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	2,715	100.00%	1,333	1,333	Subsidiary (Note 3)
The Group	Emerging Display Technologies Korea	Korea	Customer service and business support	1,677	1,677	58,212,500	100.00%	1,524	100.00%	242	242	Subsidiary (Note 3)
The Group	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	6,299	100.00%	1,842	1,842	Subsidiary (Note 3)
The Group	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,100	100.00%	6,577	161 (Note 2)	Subsidiary (Note 3)
The Group	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	38,569	100.00%	3,247	(890) (Note 2)	Subsidiary (Note 3)
The Group	Ying cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	46,217	52.50%	(100)	(53)	Subsidiary (Note 3)
Ying Dar Investment Development Corp	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	4,546	5.90%	(16,595)	(979)	Subsidiary (Note 3)
Bae Haw Investment Development Corp	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	8,791	11.41%	(16,595)	(1,893)	Subsidiary (Note 3)

Note 1: It was deducted unrealized profit from sales \$9,804.

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

Note 3: It was eliminated in the consolidation.

(c) Information on investments in Mainland China :

(i) Information on investments in Mainland China :

Investee Group	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2021	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Dec. 31, 2021	Net income of investee	The Group's direct or indirect investment ratio	Highest ratio during the year	Investment gain (loss) recognized by the Group	Book value of the investment as of Dec. 31, 2021	Accumulated investment income repatriated to Taiwan as of Dec. 31, 2021
					Remittance	Repatriation							
Dong Guan Emerging Display Limited	Manufacturing of LCDs and Touch panel	248,516 (US\$ 7,625,300)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$ 6,746,936) (Note 1)	-	-	219,225 (US\$ 6,746,936)	(16,324)	95.80% (Note 2)	95.80%	(15,639) Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	65,412 (Note 4)	-

(ii) Limitation on investment in Mainland China :

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2021	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
191,952 (Note 8) (US\$6,934,668) (Note 5)	386,184 (Note 8) (US\$13,951,732) (Note 6)	1,357,830 (Note 7)

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

- Note 1: The amount includes \$13,234 which was invested by Ying Dar Investment Development Corp. and \$25,488 which was invested by Bae Haw Investment Development Corp.
- Note 2: The ratio includes 5.90% which was held by Ying Dar Investment Development Corp. and 11.41% which was held by Bae Haw Investment Development Corp.
- Note 3: The amount includes a loss of \$963 which was recognized by Ying Dar Investment Development Corp. and a loss of \$1,863 which was recognized by Bae Haw Investment Development Corp.
- Note 4 : The amount includes \$4,029 which was invested by Ying Dar Investment Development Corp. and \$7,791 which was invested by Bae Haw Investment Development Corp. °
- Note 5 : The amount includes the remaining capital amounting to US\$188,732 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 \$78,055 for Ying Dar Investment Development Corp. and \$63,376 for Bae Haw Investment Development Corp.
- Note 8 : Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2021.

(iii) Significant transactions :

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

(d) Major shareholders :

Shareholder's Name	Shareholding	Shares	Percentage
Tseng, Jui-Ming		11,043,723	6.8%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Group as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (14) Segment Information

#### (a) General information

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

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

The reported amounts are consistent with the management reports adopted by decision makers. There was no material inconsistency between the accounting policies of reportable segments and the accounting policies described in Note 4. The reportable segments' income was measured using the operating income before tax, which was also used as the basis for performance evaluation.

Sales and other transactions among consolidated entities were considered as transactions with third parties and they are measured based on the market value.

Reportable segment information is as follows :

For the years ended December 31, 2021						
	Domestic	North America	Mainland China	Other operating department	Adjustments and elimination	Total
<b>Revenue</b>						
Sales to customers other than consolidated entities	\$ 3,047,828	1,134,396	-	1,179	-	4,183,403
Sales among consolidated entities	1,037,374	42	200,113	75,440	(1,312,969)	-
Interest revenue	1,184	1	59	-	-	1,244
Total revenue	<u>\$ 4,086,386</u>	<u>1,134,439</u>	<u>200,172</u>	<u>76,619</u>	<u>(1,312,969)</u>	<u>4,184,647</u>
Interest expenses	<u>\$ 7,984</u>	<u>60</u>	<u>1,000</u>	<u>133</u>	<u>-</u>	<u>9,177</u>
Depreciation and amortization	<u>\$ 47,854</u>	<u>3,072</u>	<u>10,609</u>	<u>3,389</u>	<u>-</u>	<u>64,924</u>
<b>Segment income</b>	<u>\$ 272,192</u>	<u>13,913</u>	<u>(16,424)</u>	<u>3,717</u>	<u>(5,474)</u>	<u>267,924</u>
<b>Segment assets</b>	<u>\$ 3,328,326</u>	<u>444,707</u>	<u>150,018</u>	<u>27,009</u>	<u>(360,617)</u>	<u>3,589,443</u>
<b>Segment liabilities</b>	<u>\$ 1,427,514</u>	<u>342,284</u>	<u>81,739</u>	<u>16,470</u>	<u>(350,947)</u>	<u>1,517,060</u>

For the years ended December 31, 2020						
	Domestic	North America	Mainland China	Other operating department	Adjustments and elimination	Total
<b>Revenue</b>						
Sales to customers other than consolidated entities	\$ 2,575,121	1,161,296	-	882	-	3,737,299
Sales among consolidated entities	1,067,312	157	179,987	74,716	(1,322,172)	-
Interest revenue	9,764	1	37	-	(103)	9,699
Total revenue	<u>\$ 3,652,197</u>	<u>1,161,454</u>	<u>180,024</u>	<u>75,598</u>	<u>(1,322,275)</u>	<u>3,746,998</u>
Interest expenses	<u>\$ 10,853</u>	<u>221</u>	<u>282</u>	<u>110</u>	<u>(103)</u>	<u>11,363</u>
Depreciation and amortization	<u>\$ 61,469</u>	<u>2,983</u>	<u>8,185</u>	<u>3,515</u>	<u>-</u>	<u>76,152</u>
<b>Segment income</b>	<u>\$ 285,731</u>	<u>10,430</u>	<u>(9,028)</u>	<u>2,416</u>	<u>(15,440)</u>	<u>274,109</u>
<b>Segment assets</b>	<u>\$ 3,441,342</u>	<u>310,291</u>	<u>144,865</u>	<u>31,559</u>	<u>(318,868)</u>	<u>3,609,189</u>
<b>Segment liabilities</b>	<u>\$ 1,639,092</u>	<u>217,736</u>	<u>53,503</u>	<u>21,956</u>	<u>(303,663)</u>	<u>1,628,624</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The following is the explanation of material reconciliation item :

- (i) For the years ended December 31, 2021 and 2020, the operating segments revenue eliminated from the consolidated entities were \$1,312,969 and \$1,322,275, respectively.
- (ii) For the years ended December 31, 2021 and 2020 the operating segments profit and loss eliminated from the consolidated entities were \$5,474 and \$15,440, respectively.
- (iii) For the years ended December 31, 2021 and 2020, the operating segments assets eliminated from the consolidated entities were \$360,617 and \$318,868, respectively.
- (iv) For the years ended December 31, 2021 and 2020, the operating segments liabilities eliminated from the consolidated entities were \$350,947 and \$303,663, respectively.

(c) Products and services information

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

<b>Production</b>	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Liquid crystal display modules	\$ 1,196,473	1,245,598
Capacitive touch panel and capacitive touch panel module	2,865,419	2,417,280
Others	121,511	74,421
<b>Total</b>	<b>\$ 4,183,403</b>	<b>3,737,299</b>

(d) Geographic information

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

<b>Geographic Area</b>	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sales to customers other than consolidated entities :		
Mainland China	\$ 306,743	257,393
Europe	2,358,766	2,094,124
USA	920,886	889,628
Japan	91,184	77,541
Taiwan	405,948	319,368
Korea	33,108	65,791
Others	66,768	33,454
<b>Total</b>	<b>\$ 4,183,403</b>	<b>3,737,299</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

<b>Geographic Area</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Non-current assets, classified by location of assets, were as follows: :		
Taiwan	\$ 328,762	343,765
Mainland China	35,970	12,724
USA	99,461	97,604
Europe	736	966
Others	1,960	2,752
<b>Total</b>	<b>\$ 466,889</b>	<b>457,811</b>

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

(e) Major customers' information

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
A customer from domestic segment	\$ 1,240,044	1,032,571
B customer from North America segment	509,045	360,162
	<b>\$ 1,749,089</b>	<b>1,392,733</b>