

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**For three months ended March 31, 2016 and 2015**

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

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## Independent Auditors' Review Report

The Board of Directors  
Emerging Display Technologies Corp.

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No.36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China excluding below paragraph. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The above subsidiaries' quarterly financial statements of the Company included EDT-Europe ApS, Emerging Display Technologies Korea, EDT-Japan Corp., Emerging Display international (Samoa) Corp., Tremendous Explore Corp., Ying Dar Investment Development Corp., Bae Haw Investment Development Corp. and Ying Cheng Investment Corp. which were based on these investees' un-reviewed financial statements for the same reporting periods. Total assets of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$297,270 thousand and \$309,772 thousand, representing 8.77% and 8.28% of the Company's consolidated total assets as of March 31, 2016 and 2015. Total liabilities of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$81,125 thousand and \$95,468 thousand, representing 6.10% and 6.14% of the Company's consolidated total liabilities as of March 31, 2016 and 2015. The comprehensive income and loss of these subsidiaries (after eliminating after-tax effects resulting from internal transactions between affiliated companies) were income \$13,371 thousand and loss 9,301 thousand, representing 21.57% and 16.84% of the Company's consolidated comprehensive income and loss for the three months ended March 31, 2016 and 2015.

Based on our reviews, except for the preceding paragraph that investees' un-reviewed quarterly financial statements and as stated in the above first paragraph that there might be adjustment of quarterly consolidated financial statements, we are not aware of any materials modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Report" endorsed by the Financial Supervisory Commission for the Republic of China.

KPMG  
CPA: Potree Yang and David Chen  
Kaohsiung, Taiwan, R.O.C.  
April 29, 2016

### Note to Reader

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards approved by the R.O.C. Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2016 and 2015**

(expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

ASSET	2016.3.31		2015.12.31		2015.3.31		LIABILITIES AND EQUITY	2016.3.31		2015.12.31		2015.3.31	
	Reviewed		Audited		Reviewed			Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSET :</b>							<b>CURRENT LIABILITY :</b>						
Cash and cash equivalent (Note 6(a))	\$ 645,334	19	963,257	26	875,638	23	Short-term loans (Notes 6(l) and 8)	\$ 331,422	10	599,286	16	196,494	5
Financial assets at fair value through profit or loss-current (Note 6(b))	64,249	2	50,130	1	119,503	3	Financial liabilities at fair value through profit or loss (Notes 6(b))	2,310	-	-	-	-	-
Available-for-sale financial assets — current (Note 6(c))	603,375	18	614,734	16	434,381	12	Notes payable	3,149	-	3,193	-	3,986	-
Bond investments without active market-current (Notes 6(d) and 8)	1,014	-	1,014	-	1,005	-	Accounts payable	405,189	12	365,174	10	441,135	12
Accounts receivable, net (Note 6(f))	441,935	13	454,735	12	500,634	13	Other payables	216,805	6	271,943	7	191,271	5
Other receivables (Note 6(f))	17,520	1	18,082	1	19,869	1	Current tax liabilities	2,961	-	1,463	-	2,411	-
Current tax assets	2,479	-	2,601	-	1,478	-	Long-term loans, current portion (Note 6(n) and 8)	254,800	8	72,800	2	72,800	2
Inventories (Note 6(g))	821,420	24	830,814	22	883,157	24	Other current liabilities	26,653	1	25,135	1	28,106	1
Other current assets (Note 6(l))	36,990	1	33,410	1	25,348	1	<b>Total current liabilities</b>	<u>1,243,289</u>	<u>37</u>	<u>1,338,994</u>	<u>36</u>	<u>936,203</u>	<u>25</u>
<b>Total current assets</b>	<u>2,634,316</u>	<u>78</u>	<u>2,968,777</u>	<u>79</u>	<u>2,861,013</u>	<u>77</u>	<b>NONCURRENT LIABILITIES :</b>						
<b>NONCURRENT ASSET :</b>							Long-term loans (Notes 6(n) and 8)	-	-	218,400	6	527,800	14
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	5	185,000	5	185,000	5	Deferred tax liabilities	2,539	-	2,539	-	3,313	-
Property, plant and equipment (Notes 6(i) and 8)	510,512	15	537,810	14	590,529	16	Net Defined Benefit liabilities-noncurrent	84,183	2	84,771	2	86,679	2
Investment Property (Notes 6(j) and 8)	17,317	1	17,407	1	17,678	-	Other non-current liabilities, others	160	-	160	-	160	-
Intangible assets (Note 6(k))	3,280	-	3,525	-	2,728	-	<b>Total noncurrent liabilities</b>	<u>86,882</u>	<u>2</u>	<u>305,870</u>	<u>8</u>	<u>617,952</u>	<u>16</u>
Deferred tax assets (Note 6(q))	30,045	1	38,751	1	69,912	2	<b>Total liabilities</b>	<u>1,330,171</u>	<u>39</u>	<u>1,644,864</u>	<u>44</u>	<u>1,554,155</u>	<u>41</u>
Prepayments on purchase of equipment	129	-	-	-	5,198	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 6 (r)) :</b>						
Other non-current financial assets (Notes 6(d) and 6(f))	9,721	-	9,663	-	9,912	-	Capital stock	2,009,076	60	2,149,076	57	2,261,076	61
<b>Total noncurrent assets</b>	<u>756,004</u>	<u>22</u>	<u>792,156</u>	<u>21</u>	<u>880,957</u>	<u>23</u>	Capital surplus	31,097	1	27,955	1	6,294	-
							Accumulated deficit	276,085	8	216,937	6	2,229	-
							Other equity interest	(96,571)	(3)	(99,001)	(3)	(39,601)	(1)
							Treasury shares	(240,190)	(7)	(259,140)	(7)	(122,282)	(3)
							Total equity attributable to shareholders of parent	1,979,497	59	2,035,827	54	2,107,716	57
							Non-controlling interests(Notes 6(h))	80,652	2	80,242	2	80,099	2
							<b>Total equity</b>	<u>2,060,149</u>	<u>61</u>	<u>2,116,069</u>	<u>56</u>	<u>2,187,815</u>	<u>59</u>
<b>TOTAL</b>	<u>\$ 3,390,320</u>	<u>100</u>	<u>3,760,933</u>	<u>100</u>	<u>3,741,970</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 3,390,320</u>	<u>100</u>	<u>3,760,933</u>	<u>100</u>	<u>3,741,970</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the three months ended March 31, 2016 and 2015**  
(expressed in thousands of New Taiwan Dollars)  
(Reviewed, not audited)

	<b>For the three months ended March 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue (Notes 6(t))</b>	\$ 888,289	100	897,697	100
<b>Operating cost (Notes 6(g) and 6(p))</b>	697,687	79	714,570	80
<b>Gross profit</b>	190,602	21	183,127	20
<b>Operating expenses (Note 6(p)):</b>				
Selling expenses	48,690	5	50,327	6
General and administrative expenses	36,044	4	35,945	4
Research and development expenses	23,380	3	24,501	2
	108,114	12	110,773	12
<b>Net other income (Note 6(v))</b>	274	-	274	-
<b>Operating profit</b>	82,762	9	72,628	8
<b>Non-operating income and expenses (Note 6(w)):</b>				
Other income	1,501	-	1,528	-
Other gains and losses, net	(9,744)	(1)	1,530	-
Finance costs	(2,898)	-	(4,264)	-
	(11,141)	(1)	(1,206)	-
Profit before tax	71,621	8	71,422	8
<b>Total tax expense (Note 6(g))</b>	12,112	1	13,401	2
<b>Net Profit</b>	<b>59,509</b>	<b>7</b>	<b>58,021</b>	<b>6</b>
<b>Other comprehensive income :</b>				
<b>Items that will be reclassified into profit or loss :</b>				
Foreign currency translation difference	(1,800)	-	(2,354)	-
Unrealized gain (loss) on available-for-sale financial assets (Note 6(x))	3,605	-	(445)	-
Less: Income tax related to items that will be reclassified subsequently (Note 6(g))	(674)	-	-	-
	2,479	-	(2,799)	-
	2,479	-	(2,799)	-
<b>Other comprehensive income, net</b>				
<b>Comprehensive income</b>	<b>\$ 61,988</b>	<b>7</b>	<b>55,222</b>	<b>6</b>
<b>Profit (loss) attributable to</b>				
Shareholders of parent	\$ 59,148	7	58,357	6
Non-controlling interests	361	-	(336)	-
<b>Net Profit</b>	<b>\$ 59,509</b>	<b>7</b>	<b>58,021</b>	<b>6</b>
<b>Comprehensive income attributable to</b>				
Shareholders of parent	\$ 61,578	7	55,648	6
Non-controlling interests	410	-	(426)	-
<b>Total Comprehensive income</b>	<b>\$ 61,988</b>	<b>7</b>	<b>55,222</b>	<b>6</b>
<b>Earnings per share (Note 6(s)) (expressed in New Taiwan Dollars) :</b>				
<b>Basic earnings per share</b>	<b>\$ 0.31</b>		<b>0.27</b>	
<b>Diluted earnings per share</b>	<b>\$ 0.31</b>		<b>0.27</b>	

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the three months ended March 31, 2016 and 2015**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, not audited)

	Equity attributable to shareholders of parent								Total Equity
	Common stock	Capital surplus	Retained earnings	Other equity interest		Treasury stock	Total equity attributable to Shareholders of parent	Non-controlling interests	
				Foreign currency translation difference	Unrealized gain(loss) on available-for-sale financial assets				
<b>Balance as of January 1, 2015</b>	\$ 2,261,076	6,294	(56,128)	8,133	(45,025)	(122,282)	2,052,068	80,525	2,132,593
Net profit for the three months ended March 31, 2015	-	-	58,357	-	-	-	58,357	(336)	58,021
Other comprehensive income(loss) for the three months ended March 31, 2015, net of income tax	-	-	-	(2,309)	(400)	-	(2,709)	(90)	(2,799)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	58,357	(2,309)	(400)	-	55,648	(426)	55,222
<b>Balance as of March 31, 2015</b>	<b>\$ 2,261,076</b>	<b>6,294</b>	<b>2,229</b>	<b>5,824</b>	<b>(45,425)</b>	<b>(122,282)</b>	<b>2,107,716</b>	<b>80,099</b>	<b>2,187,815</b>
<b>Balance as of January 1, 2016</b>	\$ 2,149,076	27,955	216,937	9,532	(108,533)	(259,140)	2,035,827	80,242	2,116,069
Net profit for the three months ended March 31, 2016	-	-	59,148	-	-	-	59,148	361	59,509
Other comprehensive income(loss) for the three months ended March 31, 2016, net of income tax	-	-	-	(1,776)	4,206	-	2,430	49	2,479
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	59,148	(1,776)	4,206	-	61,578	410	61,988
Repurchase of treasury stock	-	-	-	-	-	(117,908)	(117,908)	-	(117,908)
Cancellation of treasury stock	(140,000)	3,142	-	-	-	136,858	-	-	-
<b>Balance as of March 31, 2016</b>	<b>\$ 2,009,076</b>	<b>31,097</b>	<b>276,085</b>	<b>7,756</b>	<b>(104,327)</b>	<b>(240,190)</b>	<b>1,979,497</b>	<b>80,652</b>	<b>2,060,149</b>

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statement of Cash flows**  
**For the three months ended March 31, 2016 and 2015**  
**(expressed in thousands of New Taiwan Dollars)**  
**(Reviewed, not audited)**

	<b>For the three months ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 71,621	71,422
<b>Adjustments:</b>		
Income and expenses having no effect on cash flows:		
Depreciation expense	28,737	33,673
Amortization expense	280	227
Provision for bad debt expense	288	(818)
Net gain on financial assets or liabilities at fair value through profit or loss	4,377	(732)
Interest expense	2,898	4,264
Interest income	(509)	(1,495)
Dividend income	(279)	-
Loss on disposal of property, plant and equipment	-	6
Gain on disposal of investments	(2,299)	(8,838)
Unrealized foreign exchange loss (gain)	8,951	(332)
Total adjustments to reconcile profit (loss)	42,444	25,955
<b>Changes in operating assets and liabilities</b>		
Net changes in operating assets:		
Accounts receivable	4,625	(70,511)
Other receivable	511	(3,970)
Inventories	7,440	(43,861)
Other current assets	(3,996)	(318)
Total net changes in operating assets	8,580	(118,660)
Net changes in operating liabilities:		
Notes payable	(44)	163
Accounts payable	47,964	43,546
Other payables	(42,960)	(46,037)
Other current liabilities	1,050	6,478
Net defined benefit liability	(588)	(483)
Other operating liabilities	-	(11)
Total net changes in operating liabilities	5,422	3,656
Total net changes in operating asset and liabilities	14,002	(115,004)
<b>Total adjustments</b>	56,446	(89,049)
<b>Cash generated from operating activities</b>	128,067	(17,627)
Interest received	558	1,567
Dividends received	279	-
Interest paid	(2,808)	(3,850)
Income taxes paid	(1,113)	(1,240)
<b>Net cash flows from operating activities</b>	124,983	(21,150)
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	(16,187)	(57,130)
Acquisition of available-for-sale financial assets	-	(65,733)
Proceeds from disposal of available-for-sale financial assets	17,263	130,347
Acquisition of property, plant and equipment	(3,768)	(3,234)
Acquisition of intangible assets	(35)	-
Increase in other financial assets	(46)	(2)
Increase in prepayments on purchase of equipment	(129)	(5,060)
<b>Net cash flows used in investing activities</b>	(2,902)	(812)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	(267,843)	165,883
Repayments of long-term loans	(36,400)	(36,400)
Treasury stock acquired	(129,007)	-
<b>Net cash provided by (used in) financing activities</b>	(433,250)	129,483
<b>Effects of changes in foreign exchange rates</b>	(6,754)	1,054
<b>Net increase in cash and cash equivalents</b>	(317,923)	108,575
<b>Cash and cash equivalents at beginning of year</b>	963,257	767,063
<b>Cash and cash equivalents at end of year</b>	<b>\$ 645,334</b>	<b>875,638</b>

See accompanying notes to consolidated financial statements.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

For the three months ended March 31, 2016 and 2015

(Amounts in New Taiwan Dollars, unless specified otherwise)

(Review, Not Audited)

### 1. Organization and Business Scope

Emerging Display Technologies Corp. (the Company) was incorporated as a limited liability company under the laws of the Republic of China (ROC) on September 23, 1994. The address of its registered office and principal place of business is No.5, Central 1st Rd, Kaohsiung Economic Processing Zone, Kaohsiung City, Taiwan. The Consolidated financial statements of Emerging Display Technologies Corp. as of and for the three months ended March 31, 2016 and 2015 comprise Emerging Display Technologies Corp. and its subsidiaries (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 April 29, 2016.

### 3. Application of New and revised Standards and its Interpretations

The following new, revised or amended Standards and Interpretations haven't been endorsed by the Financial Supervisory Commission (FSC) but issued by International Accounting Standards Board (IASB) for the latest year ended at reporting date.

<u>New, revised or amended standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instrument"	January 1, 2018
Amendments to IFRS10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date to be determined by IASB
Amendments to IFRS10, IFRS12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS16 "Leases"	January 1, 2019
Amendment to IFRS 15 "Clarification to IFRS 15"	January 1, 2018
Amendment to IFRS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IFRS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IFRS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer plants"	January 1, 2016



# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

<u>New, revised or amended standards and amendments</u>	<u>Effective date per IASB</u>
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	January 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statement”	January 1, 2016
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvement to 2010-2012 and 2011-2013 Cycle	July 1, 2014
Annual Improvement to IFRSs 2012-2014 Year	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

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

#### 4. Summary of Significant Accounting Policies

##### (a) Statement of compliance

The accompanying consolidated financial statements have been prepared in conforming with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed by FSC.

Except below Note (c) and (d), the significant accounting policies for the consolidated financial statement applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. Please refer to Note 4 of 2015 consolidated financial statement for detail information.

##### (b) Basis of consolidation

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements. Please refer to Note 4(c) of 2015 consolidated financial statement for detail information.

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

Name of the Investor	Name of the Subsidiary	Business Activity	Percentage Ownership			Remarks
			2016.3.31	2015.12.31	2015.3.31	
The Company	Emerging Display Technologies Co., U.S.A.	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	
The Company	EDT-Europe ApS	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	EDT-Japan Corp.	Sale of CTP and LCDs	100.00%	100.00%	100.00%	

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Name of the Investor	Name of the Subsidiary	Business Activity	Percentage Ownership			Remarks
			2016.3.31	2015.12.31	2015.3.31	
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	11.41%	
Emerging Display International (Samoa) Corp	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	

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

### (c) Income tax

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

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

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

### (d) Employee benefit

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

## 5. Critical Accounting Judgement and Key Sources of Estimation and Uncertainty

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

The same critical accounting judgement and key sources of estimation and uncertainty have been followed in these consolidated financial reports as were applied in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2015.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### 6. Explanation of significant accounting items

The explanation of significant accounting items of this quarterly consolidated financial statements had no significant difference compared with the Group consolidated financial statements for the year ended December 31, 2015. Please refer to Note 6 of 2015 consolidated financial statements.

#### (a) Cash and cash equivalents

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Cash and cash equivalents	\$ 279	270	378
Demand deposits	631,524	893,084	599,921
Check deposits	4,022	4,259	3,933
Time deposits	9,509	65,644	271,406
Total	<b>\$ 645,334</b>	<b>963,257</b>	<b>875,638</b>

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

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Financial assets at fair value through profit or loss:			
Corporate Bond	\$ 64,249	48,540	119,503
Financial asset held for trade:			
Swap Contract	-	1,590	-
<b>TOTAL</b>	<b>\$ 64,249</b>	<b>50,130</b>	<b>119,503</b>
Financial assets at fair value through profit or loss:			
Financial asset held for trade:			
Swap Contract	<b>\$ 2,310</b>	-	-

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the Group had no financial assets at fair value through profit or loss pledged as collateral for loans.

The Group uses derivative instruments to hedge certain currency the Group is exposed to arising from its operating activities. The Group held the following derivative instruments presented as held-for-trading financial assets or liabilities:

<b>2016.3.31</b>			
	<b>Contract amount</b>	<b>Currency</b>	<b>Maturity period</b>
	<b>(Thousand Dollar)</b>		
SWAP Contract	USD 6,000	USD to TWD	2016.4.15~2016.6.14
<b>2015.12.31</b>			
	<b>Contract amount</b>	<b>Currency</b>	<b>Maturity period</b>
	<b>(Thousand Dollar)</b>		
SWAP Contract	USD 2,000	USD to TWD	2016.1.15~2016.1.29

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (c) Available-for-sale financial assets

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Listed stocks in Taiwan	\$ 201,659	209,967	204,811
Foreign listed stocks	56,125	55,282	-
Open-end mutual funds	345,591	349,485	229,570
Total	<b>\$ 603,375</b>	<b>614,734</b>	<b>434,381</b>

Please refer to note 6(w) for disposal of investment profit and loss.

Please refer to note 6(x) for the recognition of other comprehensive income at fair value.

As of March 31, 2016, December 31, 2015 and March 31, 2015, the Group had no available-for-sale financial assets pledged as collateral for loans.

#### (d) Bond investment without active market

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Certificate Deposit-current	<b>\$ 1,523</b>	<b>1,531</b>	<b>1,493</b>
Current	\$ 1,014	1,014	1,005
Non-current (recorded in other non-current financial assets)	509	517	488
Total	<b>\$ 1,523</b>	<b>1,531</b>	<b>1,493</b>

As of March 31, 2016 and 2015 and December 31, 2015, bond investment without an active market pledged as collateral for loans are disclosed in note 8.

#### (e) Financial assets at cost

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Unlisted stocks	<b>\$ 185,000</b>	<b>185,000</b>	<b>185,000</b>

The financial assets at cost held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.

As of Mach 31, 2016 and 2015 and December 31, 2015, financial assets at cost were not pledged as collateral.

#### (f) Accounts receivable and other receivables

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Account receivable	\$ 465,008	484,195	529,913
Other receivables-current	30,234	31,049	32,389
Other receivables- deposits paid	9,212	9,146	9,424
Less: allowance for doubtful accounts	(35,786)	(42,427)	(41,799)
	<b>\$ 468,668</b>	<b>481,963</b>	<b>529,927</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The aging analysis of unimpaired overdue receivables was as follows:

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
1~30 days	\$ 72,917	69,589	112,776
31~90 days	8,173	6,561	5,899
91~270 days	2,454	4,504	5,681
More than 271 days	421	583	1,106
	<b>\$ 83,965</b>	<b>81,237</b>	<b>125,462</b>

The movement in the provision for impairment with respect to trade and note receivables during the year was as follows:

	<b>January to March, 2016</b>		
	<b>Separate</b>	<b>Collectively</b>	<b>Total</b>
	<b>assessed</b>	<b>assessed</b>	
	<b>impairment</b>	<b>impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 41,940	487	42,427
Recognition of impairment loss	108	180	288
Offset uncollected amount	(6,725)	-	(6,725)
The Effects of Changes in Foreign Exchange Rates	(189)	(15)	(204)
Balance at March 31, 2016	<b>\$ 35,134</b>	<b>652</b>	<b>35,786</b>

	<b>January to March, 2015</b>		
	<b>Separate</b>	<b>Collectively</b>	<b>Total</b>
	<b>assessed</b>	<b>assessed</b>	
	<b>impairment</b>	<b>impairment</b>	<b>Total</b>
Balance at January 1, 2015	\$ 41,062	1,787	42,849
Reversal of impairment loss	(733)	(85)	(818)
The Effects of Changes in Foreign Exchange Rates	(214)	(18)	(232)
Balance at March 31, 2015	<b>\$ 40,115</b>	<b>1,684</b>	<b>41,799</b>

The Group considers any change in credit quality of accounts receivable and other receivables from the date credit was initially granted to the end of the reporting period when recognizing the collectability of accounts receivable and other receivables. The Group evaluates the customers' credit and collectible amounts to estimate the uncollectable amounts, then accrues the allowance for doubtful accounts. The individual receivables found not to be specifically impaired are further collectively assessed for impairment by group based on similar risk characteristics.

As of December 31, 2016 and 2015 and March 31, 2015, accounts receivable and other receivables were not pledged as collateral.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (g) Inventory

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Raw materials	\$ 182,478	180,182	208,938
Work in process	349,741	328,336	369,452
Finished goods	285,733	321,263	300,990
Inventories in transit	3,468	1,033	3,777
Total	<b>\$ 821,420</b>	<b>830,814</b>	<b>883,157</b>

Write-down of Inventory to net realized value in the amount of \$1,971 was included in the cost of revenue for the three months ended March 31, 2016. The previous write-down inventories had been sold and the net realizable value of inventories lowered than cost was no longer existed, the reversal of write-downs amounted to \$6,152 and recognized in the reduction of operating costs for the three months ended March 31, 2015.

As of December 31, 2016 and 2015 and March 31, 2016, inventories were not pledged as collateral.

#### (h) Non-controlling interests' share of subsidiaries

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

Name of subsidiaries	Principal place of business	Proportion of non-controlling interest voting equity		
		<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%	4.2%

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

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

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
Current Asset	\$ 8,469	8,343	9,766
Non-Current Asset	150,000	150,000	150,000
Current Liability	(30)	(50)	(30)
Non-Current liability	-	-	-
Net Asset	<b>\$ 158,439</b>	<b>158,293</b>	<b>159,736</b>
Non-Controlling equity closing book amount	<b>\$ 75,259</b>	<b>75,189</b>	<b>75,874</b>

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Operating revenue	<b>\$ -</b>	<b>-</b>
Net profit (Net Loss)	\$ (6)	(6)
Other comprehensive income	152	(94)
Comprehensive income	<b>\$ 146</b>	<b>(100)</b>
Profit attributable to non-controlling interest	<b>\$ (3)</b>	<b>(3)</b>
Comprehensive income attributable to non-controlling interest	<b>\$ 70</b>	<b>(48)</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	January to March, 2016	January to March, 2015
Cash flow from operating activities	\$ (22)	(8)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	<b>\$ (22)</b>	<b>(8)</b>
Net increase in cash and cash equivalents		

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

	2016.3.31	2015.12.31	2015.3.31
Current Asset	\$ 142,555	135,002	77,337
Non-Current Asset	18,758	21,178	28,321
Current Liability	(32,897)	(35,862)	(5,077)
Non-Current liability	-	-	-
Net Asset	<b>\$ 128,416</b>	<b>120,318</b>	<b>100,581</b>
Non-Controlling equity closing book amount	<b>\$ 5,393</b>	<b>5,053</b>	<b>4,225</b>

	January to March, 2016	January to March, 2015
Operating revenue	<b>\$ 100,955</b>	<b>94,751</b>
Net profit (Net Loss)	8,663	(7,945)
Other comprehensive income	(564)	(1,058)
Comprehensive income	<b>\$ 8,099</b>	<b>(9,003)</b>
Profit attributable to non-controlling interest	<b>\$ 364</b>	<b>(333)</b>
Comprehensive income attributable to non-controlling interest	<b>\$ 340</b>	<b>(378)</b>

	January to March, 2016	January to March, 2015
Cash flow from operating activities	\$ (2,766)	8,701
Cash flow from investing activities	(27)	(2,092)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	(103)	135
Net increase in cash and cash equivalents	<b>\$ (2,896)</b>	<b>6,744</b>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (i) Property, plant and equipment

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

	Land	Building and construction	Machinery and equipment	Office equipment	Others	Total
<b>Cost or deemed cost:</b>						
Balance at January 1, 2016	\$ 52,249	995,983	2,705,564	32,418	151,520	3,937,734
Additions	-	-	560	200	1,912	2,672
Reclassification	-	-	2,394	-	(2,394)	-
Disposals	-	-	(624)	(27)	-	(651)
Effect of movements in exchange rates	(1,019)	(615)	(1,144)	(130)	(13)	(2,921)
Balance at March 31, 2016	<u>\$ 51,230</u>	<u>995,368</u>	<u>2,706,750</u>	<u>32,461</u>	<u>151,025</u>	<u>3,936,834</u>
Balance at January 1, 2015	\$ 50,378	992,833	2,896,845	37,782	138,135	4,115,973
Additions	-	-	1,045	-	10,609	11,654
Reclassification	-	-	156	-	(156)	-
Disposals	-	-	-	(4,529)	(19)	(4,548)
Effect of movements in exchange rates	(557)	(693)	(2,340)	(224)	(212)	(4,026)
Balance at March 31, 2015	<u>\$ 49,821</u>	<u>992,140</u>	<u>2,895,706</u>	<u>33,029</u>	<u>148,357</u>	<u>4,119,053</u>
<b>Depreciation and impairment loss:</b>						
Balance at January 1, 2016	\$ -	737,759	2,529,764	28,524	103,877	3,399,924
Depreciation for the year	-	5,137	19,167	320	4,023	28,647
Reclassification	-	-	-	-	-	-
Disposals loss	-	-	(624)	(27)	-	(651)
Effect of movements in exchange rates	-	(354)	(1,107)	(121)	(16)	(1,598)
Balance at March 31, 2016	<u>\$ -</u>	<u>742,542</u>	<u>2,547,200</u>	<u>28,696</u>	<u>107,884</u>	<u>3,426,322</u>
Balance at January 1, 2015	\$ -	712,250	2,669,205	35,491	85,467	3,502,413
Depreciation for the year	-	7,421	20,942	339	4,881	33,583
Disposals loss	-	-	-	(143)	143	-
Effect of movements in exchange rates	-	-	-	(4,523)	(19)	(4,542)
Balance at March 31, 2015	<u>-</u>	<u>(480)</u>	<u>(2,174)</u>	<u>(214)</u>	<u>(62)</u>	<u>(2,930)</u>
<b>Carrying amounts:</b>	<u>\$ -</u>	<u>719,191</u>	<u>2,687,973</u>	<u>30,950</u>	<u>90,410</u>	<u>3,528,524</u>
Balance at January 31, 2016	<u>\$ 52,249</u>	<u>258,224</u>	<u>175,800</u>	<u>3,894</u>	<u>47,643</u>	<u>537,810</u>
Balance at March 31, 2016	<u>\$ 51,230</u>	<u>252,826</u>	<u>159,550</u>	<u>3,765</u>	<u>43,141</u>	<u>510,512</u>
Balance at January 31, 2015	<u>\$ 50,378</u>	<u>280,583</u>	<u>227,640</u>	<u>2,291</u>	<u>52,668</u>	<u>613,560</u>
Balance at March 31, 2015	<u>\$ 49,821</u>	<u>272,949</u>	<u>207,733</u>	<u>2,079</u>	<u>57,947</u>	<u>590,529</u>

As of March 31, 2016, December 31 and March 31, 2015, property, plant and equipment pledged as collateral for short-term, long-term loans and finance are disclosed in note 8.



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (j) Investment property

	Land	Building and construction	Total
<b>Cost or deemed cost:</b>			
Balance at January 1, 2016	\$ <u>10,079</u>	<u>7,328</u>	<u>17,407</u>
Balance at March 31, 2016	\$ <u>10,079</u>	<u>7,238</u>	<u>17,317</u>
Balance at January 1, 2015	\$ <u>10,079</u>	<u>7,689</u>	<u>17,768</u>
Balance at March 31, 2015	\$ <u>10,079</u>	<u>7,599</u>	<u>17,678</u>

The Group had no significant acquisition, disposal or reversal or write-down of impairment loss of investment property for the three months ended March 31, 2015 and 2016. Please refer to Note 12 for depreciation amount for the three months ended March 31, 2016. Other related information, please refer to Note 6(j) of 2015 consolidated financial statements.

The fair value of Group's investment property had no significant difference with 2015 consolidated financial statements disclosed in Note 6(j).

As of March 31, 2016, December 31, 2015, and March 31, 2015, investment property pledged as collateral for short-term, long-term loans and finance are disclosed in note 8.

#### (k) Intangible assets

	Patent and other	Computer software cost	Total
Book value detail as below			
Balance as of January 1, 2016	\$ <u>1,938</u>	<u>1,587</u>	<u>3,525</u>
Balance as of March 31, 2016	\$ <u>1,903</u>	<u>1,377</u>	<u>3,280</u>
Balance as of January 1, 2015	\$ <u>1,894</u>	<u>1,063</u>	<u>2,957</u>
Balance as of March 31, 2015	\$ <u>1,833</u>	<u>895</u>	<u>2,728</u>

There is no increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the three months ended March 31, 2015 and 2016. Please refer Note 12 for amortization amount for the three months ended March 31, 2016. Other related information, please refer to Note 6(k) of 2015 consolidated financial statements.

As of March 31, 2016, December 31, 2015 and March 31, 2015, intangible assets were not pledged as collateral.

#### (l) Other current asset

The details of other current assets were as follows:

	2016.3.31	2015.12.31	2015.3.31
Tax refund receivable	\$ 2,281	2,111	2,458
Prepayment for purchases	5,947	4,850	1,212
Other prepaid expenses	10,473	6,622	8,832
VAT paid	17,080	18,294	10,568
Others	1,209	1,533	2,278
	<u>\$ 36,990</u>	<u>33,410</u>	<u>25,348</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (m) Short-term loans

The details of short-term loans were as follows:

	<u>2016.3.31</u>	<u>2015.12.31</u>	<u>2015.3.31</u>
Letters of credit	\$ 1,422	9,286	6,494
Unsecured bank loans	330,000	540,000	160,000
Secured bank loans	-	50,000	30,000
Total	<u>\$ 331,422</u>	<u>599,286</u>	<u>196,494</u>
Unused lines of credit	<u>\$ 1,293,528</u>	<u>1,024,682</u>	<u>1,014,510</u>
Interest rates applied	<u>1.18%~1.71%</u>	<u>1.18%~1.43%</u>	<u>1.27%~1.88%</u>

#### (i) Increase and repayment of loan

For the three months ended March 31, 2016 and 2015, the increase amount is \$331,443 and \$196,514 with interest rate 1.15%~1.9315% and 1.27%~1.88% and maturity period is from April to September, 2016 and April to August, 2015, respectively. Repayment amount is \$599,286 and \$30,651 respectively. Please refer to Note 6(w) for interest expense. Other related information, please refer to Note 6(m) of 2015 consolidated financial statements.

#### (ii) Collateral for short-term loans

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

#### (n) Long-term loans

The details of long-term loans were as follows:

	<u>2016.3.31</u>	<u>2015.12.31</u>	<u>2015.3.31</u>
Secured bank loans	\$ 254,800	291,200	600,600
Less: current portion	(254,800)	(72,800)	(72,800)
Total	<u>\$ -</u>	<u>218,400</u>	<u>527,800</u>
Unused lines of credit	<u>\$ -</u>	<u>-</u>	<u>273,000</u>
Interest rates applied	<u>1.9315%</u>	<u>2.0056%</u>	<u>2.0822%~2.1874%</u>

#### (i) Increase and repayment of loan

For the three months ended March 31, 2016 and 2015, there were no increases in long-term loans, and the repayments of long-term loans amounted to \$36,400 according to the contract. Please refer to Note 6(w) for interest expense detail.

The Group signed a 3-year loan contract with E. Sun Bank and six other banks on the purpose of repaying the long-term loans as mentioned above to raise its operating capital in November, 2013. Besides, according to the contract, if the Company does not violate any terms during last three to six months before the contract expires, the Company can extend its term of credit for another two years.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

The financial covenants were as follows:

- i. A maximum debt ratio of 150% should be maintained.
- ii. A minimum current ratio of 100% should be maintained.
- iii. A minimum times interest earned ratio of 2.5 should be maintained.
- iv. Minimum net tangible assets of \$1,700,000 should be maintained.

#### (ii) Collateral for long-term loans

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

#### (o) Operating lease

There is no increase for Operating lease for the three months ended March 31, 2016 and 2015. Please refer to Note 6(o) for the 2015 consolidated financial statements.

#### (p) Employee Benefit

##### (i) Defined benefit plan

There are no significant market fluctuations, curtailments, settlement or other one-time events after the end the previous financial year, the pension cost measurement and disclosure of interim pension cost are calculated based on actuarial adopted on December 31, 2015 and 2014.

Cost recognized in profit or loss is as below:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Operating cost	\$ 440	505
Selling expenses	18	21
General and administrative expenses	55	68
Research and development expenses	42	51
	<b><u>\$ 555</u></b>	<b><u>645</u></b>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (ii) Defined Contribution Plan

Cost recognized in profit or loss is as below:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Operating cost	\$ 5,570	5,434
Selling expenses	1,359	1,266
General and administrative expenses	448	456
Research and development expenses	526	513
	<b>\$ 7,903</b>	<b>7,669</b>

### (q) Income tax

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

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Current tax expense	\$ 2,732	524
Deferred tax expense		
Origination and reversal of temporary differences	9,380	12,877
	<b>\$ 12,112</b>	<b>13,401</b>

No income tax was recognized directly in equity.

The amounts of income tax recognized in other comprehensive income were as follows:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Unrealized gain (loss) on available-for-sale financial assets	<b>\$ 674</b>	-

### (ii) Approval of income tax

The Group's income tax returns for all fiscal years up to 2013 have been examined and approved by the R.O.C. tax authority.

(iii) The components of the Group's unappropriated retained earnings were as follows:

	<b>2016.3.31</b>	<b>2015.12.31</b>	<b>2015.3.31</b>
1997 and prior years	\$ -	-	-
1998 and thereafter	276,085	216,937	2,229
	<b>\$ 276,085</b>	<b>216,937</b>	<b>2,229</b>
Balance of imputation credit	<b>\$ 8,268</b>	<b>8,268</b>	<b>2,294</b>
	<b>2015 (estimation)</b>	<b>2014 (Actual)</b>	
Tax creditable ratio for earnings distributed to residents in R.O.C.	<b>3.81%</b>	-	

The aforementioned information has been prepared in accordance Tai-Tsai-Suei Letter no. 10204562810 dated October 17, 2013, issued by the Ministry of Finance.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (r) Share capital and other equity

The Group had no share capital change for the three months ended March 31, 2016 and 2015 except below statement. Please refer to Note 6(r) of 2015 consolidated financial statements for detail information.

#### (i) Common Stock

The Company's Board of Directors approved resolutions to retire treasury stock amounting to 14,000 thousand shares with a face value of \$140,000 on January 14, 2016. The related registration procedures had been completed as of March 31, 2016.

As of March 31, 2016, December 31, 2015 and March 31, 2015, the authorized share capital of the Company amounted to \$3,500,000 comprising 350,000 thousand shares with a par value of TWD10 per share. Issued shares were 200,907 thousand, 214,908 thousand shares and 226,108 thousand shares, respectively. The weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Company's subsidiaries were comprising 182,625 thousand shares, 192,114 thousand shares and 217,313 thousand shares, respectively.

#### (ii) Capital surplus

As of March 31, 2016 and 2015, capital surplus was as follows:

	<u>2016.3.31</u>	<u>2015.12.31</u>	<u>2015.3.31</u>
Expired stock option	\$ -	-	6,294
Treasury stock	31,097	27,955	-
	<u>\$ 31,097</u>	<u>27,955</u>	<u>6,294</u>

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

On June 2, 2015, the Company's board of directors approved offsetting the deficit with capital surplus of \$6,294.

#### (iii) Retained earnings

The Company's articles of incorporation stipulate that annual earnings shall be appropriated as follows:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Pay income tax;  
Make up accumulated deficit;  
Appropriate legal reserve;  
Appropriate special reserve;  
3% of the remainder is distributable as directors' and supervisors' remuneration;  
At least 5% of the remainder is distributable as employee bonuses.  
If any earnings still exist, the remainder shall be distributed at the discretion of the board of directors and approved at the stockholders' meeting.

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

According to the Company Act which was amended in May 2015, employee bonuses and directors' and supervisors' remuneration are no longer categorized as distribution of earnings, and the Company will make all necessary changes to its articles of association before the deadline specified by the authorities.

#### a. Legal reserve

According to the ROC Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. When a company incurs no loss, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

#### b. Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately.

In accordance with the guidelines of the above Ruling, 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 be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Company's retained earnings this year decreased due to the first-time adoption of IFRSs. As of December 31, 2012, the Company had an accumulated deficit; therefore, there is no need to distribute any special reserve.

In accordance with Ruling No. 1010047490 issued by the Financial Supervisory Commission on November 21, 2012, if the market value of the Company's shares is lower than the carrying value of the Company's shares held by the subsidiaries at year-end, the Company should retain a special reserve amounting to the difference between the market value and the carrying value, based upon the Company's ownership percentage in the subsidiaries. When market value rebounds, the Company could reverse the special reserve.

#### c. Earnings distribution

For the three months ended March 31, 2015, the Company estimated \$108 and \$65 amount of employee bonuses and directors' and supervisors' remuneration according to the Company Act amended prior May, 2015. The said amount was estimated based on the profit after tax during this period multiplied by the distribution policy of employee bonuses and directors' and supervisors' remuneration regulated in the Company Act. The expense was recognized in operating cost or expense. If there is any revision after the following year's resolution for the financial statements, the effect of the change will be recognized as profit or loss for the next year based on changes in accounting estimates process principle. If the resolution of shareholder meeting decides to issue employee bonus by stocks, the shares of the stock bonus should be calculated based on closing price prior shareholder meeting date and consider the effect of ex-dividend.

The Board of Director resolved the 2015 profit allocation proposal to use 2015 profit to make up previous deficit and then distribute dividends \$60,272 on March 10, 2016.

On June 2, 2015, the Company's stockholders' meeting decided to use the 2014 net income after tax to make up the previous years' accumulated deficit, with no dividend distribution.

#### (iv) Treasury stock

For the three months ended March 31, 2016, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 9,488 thousand shares of its own common stock as treasury shares in order to protect the Company's integrity and shareholders' equity. As of March 31, 2016, a total of 9,488 thousand shares were not yet cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all common shares issued. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of September 30, 2015, the Company could repurchase no more than 22,110 thousand shares with a total value of no more than \$168,037. As of March 31, 2016, the repurchase shares and amount did not exceed the statutory limit.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. For the three months ended 2016 and 2015, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of March 31, 2016, December 31, 2015 and March 31, 2015, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of March 31, 2016, December 31, 2015 and March 31, 2015, their market values amounted to \$116,965, \$87,944 and \$70,355, respectively.

(v) Other equity

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Unrealized gains and losses from available-for-sale investment</b>
January 1, 2116	\$ 9,532	(108,533)
The Company	(1,776)	4,206
Balance as of March 31, 2016	<b>\$ 7,756</b>	<b>(104,327)</b>
January 1, 2015	\$ 8,133	(45,025)
The Company	\$ (2,309)	(400)
Balance as of March 31, 2015	<b>\$ 5,824</b>	<b>(45,425)</b>

(s) Earnings per share

The basic and diluted earnings per share of the Group are as follows:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
<b>Basic Earnings per share</b>		
Profit (loss) attributable to owners of parent	<b>\$ 59,148</b>	<b>58,357</b>
Weighted-average number of common shares (expressed in thousands of shares)	<b>190,118</b>	<b>217,313</b>
Expressed in New Taiwan dollars	<b>\$ 0.31</b>	<b>0.27</b>
<b>Diluted Earnings per share</b>		
Profit (loss) attributable to owners of parent	<b>\$ 59,148</b>	<b>58,357</b>
Weighted-average number of common shares (expressed in thousands of shares)	190,118	217,313
Effect of potentially dilutive common stock:		
— Employee bonus	1,361	-
Weighted-average number of common shares - diluted (expressed in thousands of shares)	<b>191,479</b>	<b>217,313</b>
Expressed in New Taiwan dollars	<b>\$ 0.31</b>	<b>0.27</b>



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

#### (t) Revenue

Details of revenue for the three months ended March 31, 2016 and 2015 were as follows:

	<u>January to March, 2016</u>	<u>January to March, 2015</u>
Sales of goods	<u>\$ 888,289</u>	<u>897,697</u>

#### (u) Employee compensation, and directors' and supervisors' remuneration

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

For the three months ended March 31, 2016, the compensation of employees and of directors totaling \$3,725 and \$2,235, respectively, was estimated as the Company's net income before tax, excluding compensation of employees and of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses during this period. For any change after the issuance date of the financial statements, the difference shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year.

The compensation of employees and of directors was \$14,371 and \$8,623, respectively in 2015. For related information, please go to website: <http://emops.twse.com.tw>. If there's difference between actual distribution amount and estimation amount due to the amended Article of Incorporation resolved by shareholder meeting and resolution by the Board of Directors, the difference will be recognized as profit and loss in 2015 according to changes in accounting estimates.

#### (v) Other operating income and expenses

Other operating income and expenses were rental revenue.

#### (w) Non-operating income and expenses

##### (i) Other income

Details of other income were as follows:

	<u>January to March, 2016</u>	<u>January to March, 2015</u>
Interest income		
Bank deposits	\$ 441	1,406
Other loans and receivables	68	89
Dividend revenue	279	-
Others	713	33
	<u>\$ 1,501</u>	<u>1,528</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) Other gains and losses

Details of other gains and losses were as follows:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Foreign exchange gains (losses), net	\$ (10,750)	(8,177)
Net gains on disposal of investments and financial liability		
Net gains on disposal of Available-for-sale financial assets	2,299	8,838
Net gains on disposal of financial assets at fair value through profit or loss	(1,293)	906
Gains on disposal of property, plant and equipment, net	-	(6)
Others	-	(31)
	<b>\$ (9,744)</b>	<b>1,530</b>

(iii) Finance Cost

Details of finance costs were as follows:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Interest expenses		
Bank loans	<b>\$ 2,898</b>	<b>4,264</b>

(x) **Reclassified adjustments of the components in other comprehensive income**

Details of the Reclassified adjustments of the components in other comprehensive income were as follows:

	<b>January to March, 2016</b>	<b>January to March, 2015</b>
Available-for-sale financial assets		
Net change in fair value occurred in current year	\$ 5,904	8,393
Net change in fair value reclassified to income	(2,299)	(8,838)
Net change in fair value recognized in other comprehensive income	<b>\$ 3,605</b>	<b>(445)</b>

(y) **Financial instruments**

There was no significant change of the Group's fair value of financial instruments, exposure to credit risk, liquidity risk and market risk except below statements. Please refer to Note 6(y) of 2015 consolidated financial statements.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (i) Credit Risk

To reduce the credit risk of accounts receivable, the Group continuously evaluates customers' financial condition, and requires customers to provide a guarantee if necessary. The Group periodically measures the possibility of collecting the accounts receivable and also records an allowance for doubtful accounts, which is always under the expectation of the management. The Group has no significant concentration of its accounts receivable as of March 31, 2016, December 31, 2015 and March 31, 2015.

### (ii) Liquidity Risk

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

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12 months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 years</u>	<u>Due in over 5 years</u>
<b>March 31, 2016</b>							
Non-derivative financial liabilities							
Secured loans	\$ 254,800	(259,342)	(38,850)	(220,492)	-	-	-
Unsecured loans	331,422	(331,669)	(331,669)	-	-	-	-
Accounts payable	405,189	(405,189)	(405,189)	-	-	-	-
Notes payable	3,149	(3,149)	(3,149)	-	-	-	-
Other payable	97,971	(97,971)	(97,971)	-	-	-	-
Derivative financial liabilities							
Swap Contract							
Cash out	2,310	(195,376)	(195,376)	-	-	-	-
Cash in	-	193,110	193,110	-	-	-	-
	<u>\$ 1,094,841</u>	<u>(1,099,586)</u>	<u>(879,094)</u>	<u>(220,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2015</b>							
Non-derivative financial liabilities							
Secured loans	\$ 341,200	(347,206)	(89,072)	(38,774)	(219,360)	-	-
Unsecured loans	549,286	(550,095)	(550,095)	-	-	-	-
Accounts payable	365,174	(365,174)	(365,174)	-	-	-	-
Notes payable	3,193	(3,193)	(3,193)	-	-	-	-
Other payable	119,727	(119,727)	(119,727)	-	-	-	-
	<u>\$ 1,378,580</u>	<u>(1,385,395)</u>	<u>(1,127,261)</u>	<u>(38,774)</u>	<u>(219,360)</u>	<u>-</u>	<u>-</u>
<b>March 31, 2015</b>							
Non-derivative financial liabilities							
Secured loans	\$ 600,600	(623,972)	(43,166)	(42,397)	(538,409)	-	-
Unsecured loans	196,494	(197,206)	(197,206)	-	-	-	-
Accounts payable	441,135	(441,135)	(441,135)	-	-	-	-
Notes payable	3,986	(3,986)	(3,986)	-	-	-	-
Other payable	108,274	(108,274)	(108,274)	-	-	-	-
	<u>\$ 1,350,489</u>	<u>(1,374,573)</u>	<u>(793,767)</u>	<u>(42,397)</u>	<u>(538,409)</u>	<u>-</u>	<u>-</u>

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

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (iii) Market Risk

#### a. Exchange risk

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

	2016.3.31			2015.12.31			2015.3.31		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 36,271	32.185	1,167,373	40,032	32.825	1,314,035	47,219	31.3	1,477,954
JPY	8,694	0.2863	2,489	22,824	0.2727	6,224	57,475	0.2604	14,966
RMB	2,074	4.972	10,312	13,163	4.995	65,747	12,378	5.044	62,434
EURO	-	-	-	285	35.88	10,192	-	-	-
<u>Non-Monetary items</u>									
USD	11,897	32.185	382,909	11,834	32.825	388,461	6,750	31.3	211,281
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
TWD	190	1	190	36	1	36	2,147	1	2,147
USD	10,737	32.185	345,558	9,256	32.825	303,830	10,532	31.3	329,643
JPY	25,677	0.2863	7,351	29,200	0.2727	7,963	43,701	0.2604	11,380
<u>Non-Monetary items</u>									
USD	72	32.185	2,310	-	-	-	-	-	-

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, other receivables, available-to-sale financial assets, loans, accounts payable, bonds payable and other payables. As of March 31, 2016 and 2015, the exchange rate of the TWD versus the USD, CNY, and JPY increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$6,846 and \$10,098, respectively.

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain of monetary items. For the three months ended March 31, 2016 and 2015, the exchange loss (including realized and unrealized) that resulted from monetary items translated to the functional currency was \$10,750 and \$8,177, respectively.

#### b. Interest rate risk

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.

If interest rates on loans had increased or decreased by 1% with all other variables held constant. Profit after tax for the three months ended March 31, 2016 and 2015 would have been decreased or increased by \$18 and \$131, respectively, mainly as a result of liabilities bearing floating interest rates.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### c. Other price risk

If the equity price changes, and if it is on the same basis for both years, and assuming all other variables remain the same, the impact on other comprehensive income will be as follows:

Equity price at reporting date	January to March, 2016		January to March, 2015	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 3%	\$ 16,149	-	13,031	-
Decrease 3%	\$ (16,149)	-	(13,031)	-

### (iv) Fair value

#### a. Categories and fair values of financial instruments

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

	Carrying Amount	2016.3.31 Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or less</b>					
ECB	\$ 64,249	64,249	-	-	64,249
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	257,784	257,784	-	-	257,784
Open-end fund	345,591	345,591	-	-	345,591
Financial assets carried at cost	185,000	-	-	-	-
	788,375	603,375	-	-	603,375
<b>Loans and receivables</b>					
Cash and Cash equivalent	645,334	-	-	-	-
Debt instrument without active market	1,014	-	-	-	-
Account Receivables	441,935	-	-	-	-
Other Account Receivables	17,520	-	-	-	-
Other receivable - refundable deposits (recognized in other assets - noncurrent)	9,212	-	-	-	-
	1,115,015	-	-	-	-
<b>Total financial assets</b>	<b>\$ 1,967,639</b>	<b>667,624</b>	<b>-</b>	<b>-</b>	<b>667,624</b>
<b>Financial liabilities at fair value through profit or less</b>					
SWAP contract	\$ 2,310	-	2,310	-	2,310
<b>Financial liabilities at amortized cost</b>					
Bank loans	586,222	-	-	-	-
Notes payable	3,149	-	-	-	-
Account payable	405,189	-	-	-	-
Other payable	97,971	-	-	-	-
	1,092,531	-	-	-	-
<b>Total financial liabilities</b>	<b>\$ 1,094,841</b>	<b>-</b>	<b>2,310</b>	<b>-</b>	<b>2,310</b>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

	2015.12.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or less</b>					
ECB	\$ 48,540	48,540	-	-	48,540
SWAP Contract	1,590	-	1,590	-	1,590
	<u>50,130</u>	<u>48,540</u>	<u>1,590</u>	<u>-</u>	<u>50,130</u>
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	265,249	265,249	-	-	265,249
Open-end fund	349,485	349,485	-	-	349,485
Financial assets carried at cost	185,000	-	-	-	-
	<u>799,734</u>	<u>614,734</u>	<u>-</u>	<u>-</u>	<u>614,734</u>
<b>Loan and receivables</b>					
Cash and Cash equivalent	963,257	-	-	-	-
Debt instrument without active market	1,014	-	-	-	-
Account Receivables	454,735	-	-	-	-
Other Account Receivables	18,082	-	-	-	-
Other receivable - refundable deposits (recognized in other assets - noncurrent)	9,146	-	-	-	-
	<u>1,446,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial assets</b>	<b><u>\$ 2,296,098</u></b>	<b><u>663,274</u></b>	<b><u>1,590</u></b>	<b><u>-</u></b>	<b><u>664,864</u></b>
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 890,486	-	-	-	-
Notes payable	3,193	-	-	-	-
Account payable	365,174	-	-	-	-
Other payable	120,084	-	-	-	-
<b>Total financial liabilities</b>	<b><u>\$ 1,378,937</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
	2015.3.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or less</b>					
ECB	\$ 119,503	119,503	-	-	119,503
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	204,811	204,811	-	-	204,811
Open-end fund	229,570	229,570	-	-	229,570
Financial assets carried at cost	185,000	-	-	-	-
	<u>619,381</u>	<u>434,381</u>	<u>-</u>	<u>-</u>	<u>434,381</u>
<b>Loan and receivables</b>					
Cash and Cash equivalent	875,638	-	-	-	-
Debt instrument without active market	1,005	-	-	-	-
Account Receivables	500,634	-	-	-	-
Other Account Receivables	32,389	-	-	-	-
Other receivable - refundable deposits (recognized in other assets - noncurrent)	9,424	-	-	-	-
	<u>1,419,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial assets</b>	<b><u>\$ 2,157,974</u></b>	<b><u>553,884</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>553,884</u></b>
<b>Financial liabilities at amortized cost</b>					
Bank loans	797,094	-	-	-	-
Notes payable	3,986	-	-	-	-
Account payable	441,135	-	-	-	-
Other payable	191,271	-	-	-	-
<b>Total financial liabilities</b>	<b><u>\$ 1,433,486</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(ii) The Group measures its assets and liabilities use input observable market data. The fair value hierarchy categorizes the inputs used in valuation techniques 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).

(iii) Valuation techniques and assumptions unused in fair value determination

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

(iv) Valuation techniques and assumptions used in fair value determination

#### Non-derivative instruments

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

A financial instrument is regarded as having a quoted price in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if those prices represent actual and regularly occurring market transactions on an arm's-length basis. Otherwise, the market is deemed to be inactive.

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

#### Derivative instruments

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

(v) Transfer between level 1 and level 2

There was no transfer between the fair value hierarchy levels for the three months ended March 31, 2016 and 2015.

### **(z) Financial risk management**

There was no significant change of the Group's financial risk management objectives and policy disclosed in 2015 consolidated report.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (aa) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2015 consolidated financial statements. Further, there was no significant change of the summary quantitative information disclosed in 2015 consolidated financial statements. Please refer to Note 6(aa) of 2015 consolidated financial statements.

## 7. Transactions with Related Parties

### (a) Relationship

The Company is the ultimate controlling party of the Group.

### (b) Compensation of key management personnel

The information on key management personnel compensation was as follows:

	January to March, 2016	January to March, 2015
Short-term employee benefits	\$ 7,781	5,409
Post-employment benefits	144	142
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>\$ 7,925</b>	<b>5,551</b>

The Group provided five and four of their own cars and another rental car for their key management personnel to use. The book value of those cars amounted to \$10,487 and \$9,360, respectively, and the rental expense car amounted to \$226 which was both the same amount for three months ended March 31, 2016 and 2015.

## 8. Pledged Assets

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

Pledged Assets	Purpose	2016.3.31	2015.12.31	2015.3.31
Bond investments without active market — current — time deposits	Guarantee for customs and government grants	\$ 1,014	1,014	1,005
Property, plant and equipment — buildings	Guarantee for long-term borrowings	236,447	240,645	253,538
Property, plant and equipment — machinery and equipment	Guarantee for short-term and long-term borrowings	93,251	106,658	146,878
Investment property	Guarantee for short-term borrowings	14,548	14,638	14,908
Other financial assets — noncurrent — time deposits	Guarantee Letter of Credit for lease contract	509	517	488
		<b>\$ 345,769</b>	<b>363,472</b>	<b>416,817</b>



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 9. Commitments and Contingencies

- (a) As of March 31, 2016, December 31, 2015 and March 31, 2015, The Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$21,504, \$27,457 and \$34,010, respectively.
- (b) As of March 31, 2016, December 31, 2015 and March 31, 2015, The Group has signed contracts for the purchase of equipment. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$3,043, \$3,221 and \$11,918, respectively.
- (c) As of March 31, 2016, December 31 and March 31, 2015, The Group's acceptance credit for purchases of raw materials, machinery and equipment amounted to \$11,005, \$11,174 and \$25,385, respectively.

#### 10. Losses Due to Major Disaster: None.

#### 11. Significant Subsequent Event: None.

#### 12. Others

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

	January to March, 2016			January to March, 2015		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	103,433	48,479	151,912	100,851	49,945	150,796
Labor and health insurance	10,803	3,446	14,249	10,263	3,137	13,400
Pension expense	6,010	2,448	8,458	5,938	2,376	8,314
Other personnel cost	7,481	1,590	9,071	7,026	1,567	8,593
Depreciation	27,220	1,517	28,737	32,121	1,552	33,673
Amortization	167	113	280	127	100	227

- (b) Seasonal operation:

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

#### 13. Supplementary Disclosure Requirements

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the three months ended March 31, 2016 were as follows:

- (a) Information on significant transactions:

(i) Loans extended to other parties: None.

(ii) Guarantees provided to other parties: None.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

(iii) Securities owned as of March 31, 2016 (subsidiaries, associates and joint ventures not included):

Name of security holder	Name of security and type	Relationship between the investee and the Company	Financial statement account	March 31, 2016				Remark
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	10,000	5.00%	-	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.23%	-	-
The Company	Epistar Corp., Ltd ECB	-	Financial assets at fair value through profit or loss	1,000,000	32,064	-	32,064	-
The Company	Taiwan Glass Inc., Ltd. ECB	-	Financial assets at fair value through profit or loss	1,000,000	32,185	-	32,185	-
The Company	Apple Inc. stock	-	Available-for-sale financial assets – current	16,000	56,125	-	56,125	-
The Company	Innolux Corp. stock	-	Available-for-sale financial assets – current	1,147,089	12,905	0.01%	12,905	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	480,000	6,816	0.78%	6,816	-
The Company	Hon Hai Precision Co., Ltd. stock	-	Available-for-sale financial assets – current	525,000	44,520	-	44,520	-
The Company	Coasia Microelectronics Corp.	-	Available-for-sale financial assets – current	386,610	8,080	0.32%	8,080	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets – current	250,000	15,600	0.05%	15,600	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Available-for-sale financial assets – current	300,000	9,450	0.01%	9,450	-
The Company	Mega Financial Holding Co., Ltd stock	-	Available-for-sale financial assets – current	555,000	12,709	-	12,709	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	300,000	12,300	-	12,300	-
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets – current	452,000	14,984	0.03%	14,984	-
The Company	King Yuan Electronics Co., Ltd. stock	-	Available-for-sale financial assets – current	570,000	16,302	0.05%	16,302	-
The Company	Far Eas Tone Telecommunications Co., Ltd. stock	-	Available-for-sale financial assets – current	200,000	14,420	0.01%	14,420	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets – noncurrent	216,000	16,222	0.01%	16,222	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx	-	Available-for-sale financial assets – current	2,000,000	18,807	-	18,807	-
The Company	Edmond de Rothschild Europe Convertibles	-	Available-for-sale financial assets – noncurrent	8,468.12	26,287	-	26,287	-
The Company	JPM Global Income A (acc)	-	Financial assets carried at cost – noncurrent	11,945.82	60,620	-	60,620	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	97,195.14	90,656	-	90,656	-
The Company	Franklin Templeton Investment Funds - Templeton Global Bond Fund Class A (acc)	-	Financial assets carried at cost – noncurrent	46,357.62	40,553	-	40,553	-
The Company	UBS (Lux) Strategy Fund - Balanced	-	Available-for-sale financial assets – current	372.66	32,578	-	32,578	-
The Company	Allianz Income and Growth - AT Acc	-	Available-for-sale financial assets – current	70,900.06	30,373	-	30,373	-
The Company	Fidelity Funds - Euro Balanced Fund	-	Available-for-sale financial assets – current	88,226.18	30,667	-	30,667	-
The Company	Henderson Horizon Fund - Euroland Fund	-	Available-for-sale financial assets – current	42,625.75	15,050	-	15,050	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	7,810	0.09%	7,810	-
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Available-for-sale financial assets – current	100,000	808	0.02%	808	-
Ying Dar Investment Development Corp.	The Company's stock	The company	Available-for-sale financial assets – noncurrent	5,346,672	71,111	2.66%	71,111	Note
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	5,396	0.62%	5,396	-
Bae Haw Investment Development Corp.	The Company's stock	The company	Available-for-sale financial assets – noncurrent	3,447,716	45,854	1.72%	45,854	Note
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	1.47%	-	-
Ying Cheng Investment Corp	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	235,000	3,337	0.38%	3,337	-
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	6,000,000	150,000	13.38%	-	-

Note: It was eliminated in the consolidation.

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

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

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

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

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

Purchasing (selling) company	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net purchases (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Sale	(372,763)	(44.46)%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. was not significantly different from those offered to other customers.	Collection terms offered to Emerging Display Technologies Co., U.S.A. was not significantly different from other customers.	329,935	56.86%	Note
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	106,107	24.48%	3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the subsidiary provides processing service to.	(105,590)	(23.04)%	Note
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	372,763	99.81%	3 months	The Company is the major supplier for Emerging Display Technologies Co., U.S.A. There is no comparable transaction.	The Company is the major supplier for Emerging Display Technologies Co., U.S.A.	(329,935)	(100.00)%	Note
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	(106,107)	(100.00)%	1-3 months	The Company is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the subsidiary provides processing service to.	105,590	100.00%	Note
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	100,955	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(40,304)	(52.56)%	Note
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	100,955	(100.00)%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	40,304	100.00%	Note

Note: It was eliminated in the consolidation.

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

Name of company that has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remark
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Account receivables of \$329,935	4.11	-	-	35,991	-	Note
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Account receivables of \$105,590	4.19	-	-	41,709	-	Note

Note: It was eliminated in the consolidation.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

(ix) Derivative financial instrument transactions:

The derivative financial instruments are intended to manage the market risk resulting from the fluctuations in the exchange rate in operating activities. Please refer to note (b).

(x) Significant inter-company transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subjects	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Sales revenue	372,763	No significant collections term difference between other customers and Emerging Display Technologies Co., U.S.A.	41.73%
				Accounts receivable	329,935		9.73%
0	The Company	Tremendous Explore Corp.	1	Processing cost	106,107	No non-related-party transaction to compare to.	11.88%
				Accounts payable	105,590		3.11%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses-Commission	547	No non-related-party transaction to compare to.	0.06%
				Other payable	701		0.02%
0	The Company	EDT-Europe ApS	1	Selling expenses-Commission	13,296	No non-related-party transaction to compare to.	1.49%
				Other payable	1,177		0.03%
0	The Company	Emerging Display Technologies Korea Corp.	1	Selling expenses -Commission	1,025	No non-related-party transaction to compare to.	0.11%
0	The Company	EDT-Japan Corp.	1	Selling expenses –Commission	3,649	No non-related-party transaction to compare to.	0.41%
				Other payable	1,213		0.04%
5	Tremendous Explore Corp.	The Company	3	Processing revenue	100,955	No non-related-party transaction to compare to.	11.30%
				Accounts receivable	40,304		1.19%
5	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	81,892	No non-related-party transaction to compare to.	9.17%

Note: Relationship notes as follows:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### (b) Information on investees

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

Name of investors	Name of investees	Location	Business Scope	Original cost of investment		Balance as of March 31, 2016			Net Income(loss) of the investee	Investment income(Loss) recognized	Remark
				2016.3.31	2015.12.31	Shares	Ratio	Carrying value			
The Company	Emerging Display Technologies Co., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	64,029 (Note 1)	(1,111)	(1,228)	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	100,714	8,663	6,880	Subsidiary (Note 2&3)
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	1,571	(31)	(31)	Subsidiary (Note 2&3)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(621)	3,944	3,944	Subsidiary (Note 2&3)
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,085	41	41	Subsidiary (Note 2&3)
The Company	EDT-Japan Corp.	Japan	Trading	17,401	17,401	5,000	100.00%	9,098	176	176	Subsidiary (Note 2&3)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	23,529	506	506	Subsidiary (Note 2&3)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	24,915	983	983	Subsidiary (Note 2&3)
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	83,181	(6)	(3)	Subsidiary (Note 2&3)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	7,577	8,663	-	Subsidiary (Note 2&3)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	14,652	8,663	-	Subsidiary (Note 2&3)

Note 1: It was deducted unrealized profit from sales \$22,803.

Note 2: It was eliminated in the consolidation.

Note 3: The net income (loss) and carrying value of the Investee's financial statements were not reviewed by CPA.

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

#### (i) Related information regarding investments in Mainland China:

The related information regarding the Company's investments in Mainland China is summarized as follows:

Investee company	Main Business and product	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2016	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Jan. 1, 2016	Net Income of Investee	The Company Direct or indirect Investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of March 31, 2016	Accumulated Investment income repatriated to Taiwan as of March 31, 2016
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (US\$7,625,300)	Investing through a third country by establishing a holding company in a third country.	219,225 (US\$6,746,936) (Note 1)	-	-	219,225 (US\$6,746,936)	8,914	95.80% (Note 2)	8,619 Based on the investee's financial statements audited by the same auditor as the Company (Note 3)	113,910 (Note 4)	-

#### (ii) Upper limit on investment in Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China as of March 31, 2016	Investment amount approved by the Investment Commission, Ministry of Economic Affairs (Note 8)	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
223,192 (US\$6,934,668) (Note 5)	449,036 (US\$13,951,732) (Note 6)	1,286,945 (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 profit of \$526 which was recognized by Ying Dar Investment Development Corp. and a profit of \$1,017 which was recognized by Bae Haw Investment Development Corp.
- Note 4: The amount includes \$7,015 which was invested by Ying Dar Investment Development Corp. and \$13,567 which was invested by Bae Haw Investment Development Corp.
- Note 5: The amount includes the remaining capital amounting to \$6,589 (US\$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. remitted back after it had completed liquidation in 2009.
- Note 6: The approved amount includes US\$637,732 obtained from Ying Dar Investment Development Corp. and US\$870,000 obtained from Bae Haw Investment Development Corp. The amount obtained from Ying Dar Investment Development Corp. includes the remaining capital amounting to \$6,589 (US\$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. remitted back after it had completed liquidation in 2009.
- Note 7: The amount includes \$56,784 for Ying Dar Investment Development Corp. and \$42,462 for Bae Haw Investment Development Corp.
- Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at March 31, 2016.

(iii) Significant transactions:

The significant inter-company 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" for the three months ended March 31, 2016.

#### 14. Segment Information

Reportable segment information is as follows:

	January to March, 2016					Total
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	
Revenue:						
Sales to customers other than consolidated entities	\$ 464,951	423,229	-	109	-	888,289
Sales among consolidated entities	373,462	547	106,107	17,970	(498,086)	-
Total revenue	<u>\$ 838,413</u>	<u>423,776</u>	<u>106,107</u>	<u>18,079</u>	<u>(498,086)</u>	<u>888,289</u>
Segment Income	<u>\$ 57,362</u>	<u>(1,061)</u>	<u>15,165</u>	<u>191</u>	<u>(36)</u>	<u>71,621</u>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

January to March, 2015

	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Revenue :						
Sales to customers other than consolidated entities	\$ 433,477	464,085	-	135	-	897,697
Sales among consolidated entities	<u>435,479</u>	<u>652</u>	<u>94,964</u>	<u>15,848</u>	<u>(546,943)</u>	<u>-</u>
<b>Total Revenue</b>	<b><u>\$ 868,956</u></b>	<b><u>464,737</u></b>	<b><u>94,964</u></b>	<b><u>15,983</u></b>	<b><u>(546,943)</u></b>	<b><u>897,697</u></b>
<b>Segment Revenue</b>	<b><u>\$ 75,674</u></b>	<b><u>3,863</u></b>	<b><u>(8,525)</u></b>	<b><u>52</u></b>	<b><u>358</u></b>	<b><u>71,422</u></b>

	Domestic	North America	Mainland China	Other operating department	Adjustments and Eliminations	Total
<b>Segment Assets</b>						
March 31, 2016	<u>\$ 3,332,562</u>	<u>429,655</u>	<u>200,562</u>	<u>22,357</u>	<u>(594,816)</u>	<u>3,390,320</u>
December 31, 2015	<u>\$ 3,672,739</u>	<u>497,154</u>	<u>169,076</u>	<u>20,229</u>	<u>(598,265)</u>	<u>3,760,933</u>
March 31, 2016	<u>\$ 3,637,303</u>	<u>503,773</u>	<u>144,600</u>	<u>13,812</u>	<u>(557,518)</u>	<u>3,741,970</u>
<b>Segment Liabilities</b>						
March 31, 2016	<u>\$ 1,349,433</u>	<u>343,912</u>	<u>82,279</u>	<u>10,604</u>	<u>(456,057)</u>	<u>1,330,171</u>
December 31, 2015	<u>\$ 1,650,886</u>	<u>408,605</u>	<u>63,086</u>	<u>9,121</u>	<u>(486,834)</u>	<u>1,644,864</u>
March 31, 2015	<u>\$ 1,533,816</u>	<u>417,704</u>	<u>58,574</u>	<u>5,108</u>	<u>(461,047)</u>	<u>1,554,155</u>

The following is the explanation of material reconciliation item:

- (a) For the three months ended March 31, 2016 and 2015, the operating segments revenue eliminated from the consolidated entities were \$498,086 and 546,943, respectively.
- (b) For the three months ended March 31, 2016 and 2015, the operating segments profit and loss eliminated from the consolidated entities were \$36 and 358, respectively.
- (c) As of March 31, 2016, December 31, 2015 and March 31, 2015, the operating segments assets eliminated from the consolidated entities were \$594,813, 598,265 and 557,518, respectively.
- (d) As of March 31, 2016, December 31, 2015 and March 31, 2015, the operating segments liabilities eliminated from the consolidated entities were \$456,057, 486,834 and 461,047, respectively.