EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

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

Table of contents

Contents	Page

安侯建業聯合會計師事務所
KPMG
高雄市前金區80147中正四路211號12樓之6
12F.-6, No. 211, Chung Cheng 4th Road,
Kaohsiung, 80147, Taiwan, R.O.C.
Telephone 電話 +886 (7) 213 0888
Fax 傳真 +886 (7) 271 3721
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Emerging Display Technologies Corp.

We have audited the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. 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 audits. We did not audit the financial statements of EDT-Europe Asp, which reflect the total assets of $6,669 thousand, $7,114 thousand and $6,424 thousand, representing 0.18/% , 0.20/% and 0.16% of the Company's consolidated total assets as of December 31, 2013 and 2012, and January 1, 2012, respectively, and which reflect the net sales of $285 thousand and $585 thousand, representing 0.01% and 0.02% of the Company's consolidated net sales for 2013 and 2012, respectively. The financial statements of EDT-Europe ApS were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts above, is based solely on the report of the other auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Emerging Display Technologies Corp. and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012 and the results of their consolidated operations and consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standard, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

We have also audited the parent company only financial statements of Emerging Display Technologies Corp. as of and for the years ended December 31, 2013 and 2012, on which we have issued an modified unqualified opinion, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China.

KPMG
CPA: David Chen and Vincent Hsu
Kaohsiung, Taiwan, R.O.C.
March 6, 2014

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

December 31, 2013 and 2012, and January 1, 2012
(expressed in thousands of New Taiwan dollars)

	2013.12.31		2012.12.31		2012.1.1	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS：						
Cash and cash equivalent(Note 6(a))	$ 746,429	21	464,656	13	555,772	14
Financial assets at fair value through profit or loss(Note 6(b))	71,671	2	10,025	-	-	-
Available-for-sale financial assets－current(Note 6(c))	200,670	5	412,570	12	345,733	9
Bond investments without active market-current (Notes 6(d) and 8)	10,330	-	71,367	2	155,061	4
Accounts receivable, net (Note 6(f))	628,054	17	533,800	15	513,064	13
Other receivables (Note 6(f))	29,794	1	18,657	1	44,552	-
Current tax assets	1,157	-	525	-	507	-
Inventories(Note 6(g))	890,304	24	863,739	25	983,147	25
Other current assets (Note 6(k))	27,253	1	15,830	-	36,698	1
Total current assets	2,605,662	71	2,391,169	68	2,634,534	67
NONCURRENT ASSETS：						
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	5	35,000	1	35,000	1
Property, plant and equipment (Notes 6(h) and 8)	740,953	20	876,161	25	1,086,903	28
Investment Property(Notes 6(i) and 8)	18,129	1	18,489	1	18,850	
Intangible assets (Note 6(j))	3,131	-	3,541	-	3,621	-
Deferred tax assets (Note 6(q))	116,979	3	119,348	4	140,928	4
Prepayments on purchase of equipment	398	-	36,534	-	5,623	-
Other non-current financial assets (Notes 6(d) and 6(f))	10,927	-	10,732	-	6,845	-
Total noncurrent assets	1,075,517	15	1,099,805	32	1,297,770	33
TOTAL	**$ 3,681,179**	**100**	**3,490,974**	**100**	**3,932,304**	**100**

	2013.12.31		2012.12.31		2012.1.1	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES：						
Short-term loans(Notes 6(l) and 8)	$ 191,490	5	12,406	-	27,193	2
Financial liabilities at fair value through profit or loss(Notes 6(b) and (n))	9,165	-	2,225	-	10,141	-
Notes payable	1,754	-	1,145	-	2,287	-
Accounts payable	519,887	15	475,075	14	448,214	12
Other payables (Note 6(p))	213,936	6	232,474	7	190,654	5
Current tax liabilities(Note 6(q))	1,134	-	826	-	877	-
Bonds payable, current portion (Notes 6(n and 8)	-	-	65,356	2	290,496	7
Long-term borrowings, current portion (Note 6(m))	-	-	780,000	22	120,000	3
Other current liabilities	43,325	1	10,936	-	13,386	-
Total current liabilities	980,691	27	1,580,443	45	1,103,248	28
NONCURRENT LIABILITIES：						
Long-term loans(Notes 6(m) and 8)	660,000	18	-	-	780,000	20
Deferred tax liabilities (Note 6(q))	1,326	-	81	-	553	-
Accrued pension liabilities(Note 6(p))	85,536	2	87,111	3	64,220	2
Other non-current liabilities, others	309	-	446	-	584	-
Total noncurrent liabilities	747,171	20	87,638	3	845,357	22
Total liabilities	1,727,862	47	1,668,081	48	1,948,605	50
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT(Note 6(r))：						
Capital stock	2,261,076	61	2,261,076	65	2,261,076	57
Capital surplus	6,294	-	6,294	-	6,294	-
Accumulated deficit	(223,624)	(6)	(273,693)	(8)	(135,015)	(3)
Other equity interest	(49,417)	(1)	(54,365)	(2)	(32,705)	(1)
Treasury shares	(122,282)	(3)	(122,282)	(3)	(122,282)	(3)
Total equity attributable to shareholders of parent	1,872,047	51	1,817,030	52	1,977,368	50
Non-controlling interests	81,270	2	5,863	-	6,331	-
Total equity	1,953,317	53	1,822,893	52	1,983,699	50
TOTAL	**$ 3,681,179**	**100**	**3,490,974**	**100**	**3,932,304**	**100**

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	2013		2012	
	Amount	**%**	**Amount**	**%**
Operating revenue	$ 3,635,599	100	3,735,794	100
Operating cost (Note 6(p))	3,177,366	87	3,366,297	90
Gross profit	458,233	13	369,497	10
Operating expenses:				
Selling expenses	196,706	5	182,387	5
General and administrative expenses	143,000	4	155,833	4
Research and development expenses	89,196	2	87,576	2
	428,902	11	425,796	11
Net other income (Note 6(t))	1,131		1,094	
Operating profit (loss)	30,462	2	(55,205)	(1)
Non-operating income and expenses(Note 6(u)):				
Other income	10,758	-	7,385	-
Other gains and losses, net	39,149	1	(14,883)	-
Finance costs, net	(19,222)	(1)	(24,878)	(1)
	30,685	-	(32,376)	1
Profit (loss) before tax	61,147	2	(87,581)	(2)
Total tax expense (income) (Note 6(q))	11,340	-	25,633	1
Profit (loss)	**49,807**	**23**	**(113,214)**	**(3)**
Other comprehensive income (Note 6(v))				
Foreign currency translation difference (Note 6(r))	7,621	-	(7,625)	-
Unrealized gain (loss) on Available-for-sale financial assets (Note 6(r))	(2,379)	-	(14,193)	-
Actuarial gains (losses) on defined benefit plans (Note 6(p))	(625)	-	(25,774)	(1)
Less : Income tax relating to components of other comprehensive income	-	-	-	-
Other comprehensive income (loss), net	4,617	-	(47,592)	(1)
Comprehensive income (loss)	**$ 54,424**	**2**	**(160,806)**	**(4)**
Profit (loss) attributable to				
Shareholders of parent	$50,694	2	(112,904)	(3)
Non-controlling interests	(887)	-	(310)	-
	$ 49,807	**2**	**(113,214)**	**(3)**
Comprehensive income (loss) attributable to:				
Shareholders of parent	$ 55,017	2	(160,338)	(4)
Non-controlling interests	(593)	-	(468)	-
	$ 54,424	**2**	**(160,806)**	**(4)**
Earnings (loss) per share (Note 6(s))(expressed in New Taiwan dollars)				
Basic earnings (loss) per share	**$ (0.23)**		**(0.52)**	
Diluted earnings (loss) per share	**$ (0.23)**		**(0.52)**	

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of parent									
				Other equity interest						
	Common stock	Capital surplus	Accumulated deficit	Foreign currency translation differences	Unrealized gain(loss) on available-for-sale financial assets	Total other equity interest	Treasury stock	Total equity attributable to Shareholders of parent	Non-controlling interests	Total Equity
Balance as of January 1, 2012	$ 2,261,076	6,294	(135,015)	-	(32,705)	(32,705)	(122,282)	1,977,368	6,331	1,983,699
Net loss in 2013	-	-	(112,904)	-	-	-	-	(112,904)	(310)	(113,214)
Other comprehensive income	-	-	(25,774)	(7,467)	(14,193)	(21,660)	-	(47,434)	(158)	(47,592)
Total comprehensive income	-	-	(138,678)	(7,467)	(14,193)	(21,660)	-	(160,338)	(468)	(160,806)
Balance as of December 31, 2012	2,261,076	6,294	(273,693)	(7,467)	(46,898)	(54,365)	(122,282)	1,817,030	5,863	1,822,893
Net income in 2012	-	-	50,694	-	-	-	-	50,694	(887)	49,807
Other comprehensive income	-	-	(625)	7,327	(2,379)	4,948	-	4,323	294	4,617
Total comprehensive income	-	-	50,069	7,327	(2,379)	4,948	-	55,017	(593)	54,424
Increase in non-controlling interests	-	-	-	-	-	-	-	-	76,000	76,000
Balance as of December 31, 2013	**$ 2,261,076**	**6,294**	**(223,624)**	**(140)**	**(49,277)**	**(49,417)**	**(122,282)**	**1,872,047**	**81,270**	**1,953,317**

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	2013	2012
Cash flows from operating activities:		
Profit (loss) before tax	$ 61,147	(87,581)
Adjustments :		
Depreciation expense	227,290	256,960
Amortization expense	913	2,050
Provision (reversal of provision) for bad debt expense	763	(2,827)
Net gain on financial assets or liabilities at fair value through profit or loss	(3,666)	(643)
Interest expense	19,222	24,878
Interest income	(3,046)	(3,131)
Dividend income	(5,825)	(2,307)
gain on disposal of property, plant and equipment	(157)	(468)
gain on disposal of investments	(4,521)	(7,784)
Unrealized foreign exchange loss (gain)	(8,144)	12,810
Loss (gain) on bond redemption	2,009	1,448
Total adjustments to reconcile profit (loss)	224,838	280,986
Changes in operating assets and liabilities		
Financial assets held-for-trading	(1,896)	(10,000)
Accounts receivable	(86,319)	(29,090)
Other receivable	(11,328)	(151)
Inventories	(25,136)	109,874
Other current assets	(13,242)	18,394
Financial liabilities at fair value through profit or loss	9,436	63
Notes payable	609	(1,142)
Accounts payable	52,594	35,601
Accrued expenses	(20,438)	43,778
Other current liabilities	38,676	(2,426)
Accrued pension liabilities	(2,200)	(2,883)
Other non-current liabilities	(137)	(138)
Total adjustments	165,457	442,866
Cash inflow generated from operations	226,604	355,285
Interest received	2,649	3,166
Dividends received	5,825	2,307
Interest paid	(16,512)	(17,515)
Income taxes paid	(12,750)	(4,815)
Cash flows from operating activities	**205,816**	**338,428**
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(94,987)	(828,386)
Proceeds from disposal of available-for-sale financial assets	309,069	781,513
Acquisition of bond investments without active market	61,037	83,694
Acquisition of financial assets at cost	(150,000)	-
Acquisition of property, plant and equipment	(64,679)	(34,692
Proceeds from disposal of property, plant and equipment	1,446	2,231
Acquisition of financial liabilities at fair value through profit or loss	(58,619)	-
Acquisition of intangible assets	(493)	(1,991)
Increase in other financial assets	(12)	(4,000)
Increase in prepayments on purchase of equipment	(536)	(50,243)
Cash flows from (used in) investing activities	**2,226**	**(51,874)**
Cash flows from financing activities:		
Increase (decrease) in short-term loans	179,093	(14,686)
Repayments of bonds	(68,309)	(238,397)
Repayments of long-term borrowing	(120,000)	(120,000)
Increase in non-controlling interests	76,000	-
Net cash provided by (used in) financing activities	66,784	(373,083
Effects of changes in foreign exchange rates	6,947	(4,587)
Net increase (decrease) in cash and cash equivalents	281,773	(91,116)
Cash and cash equivalents at beginning of year	464,656	555,772
Cash and cash equivalents at end of year	**$ 746,429**	**464,656**

See accompanying notes to consolidated financial statements.

For the years ended December 31, 2013 and 2012
(all amounts expressed in thousands of New Taiwan dollars, unless otherwise specified)

(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. Emerging Display Technologies Corp and its subsidiaries (jointly referred to as the Group) are engaged in the manufacture and sale of liquid crystal displays (LCDs).

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on March 6, 2014.

(3) New Standards and Interpretations

(a)New standards and interpretations endorsed by the Financial Supervisory Commissions, R.O.C. (“FSC”) but not yet in effect

The International Accounting Standards Board (“IASB”) announced in November 2009 that International Financial Reporting Standard 9 “Financial Instruments” (“IFRS 9”) would take effect on January 1, 2013. (The IASB announced in December 2011 that the effective date was postponed to January 1, 2015, and subsequently cancelled the effective date in order for preparers to have more time to convert to the new standard. The new effective date has not been determined yet). This standard had been endorsed by the Financial Supervisory Commission, R.O.C (“FSC”); however, the effective date thereof has not been announced. In accordance with FSC rules, early adoption of this new accounting standard is not permitted, and companies shall follow the guidance in the 2009 version of the International Accounting Standard 39 “Financial Instruments” (“IAS 39”). At the adoption of this new standard, it is expected there will be significant impacts to the classification and measurement of financial instruments in the consolidated financial statements.

(b)New standards and interpretations not yet endorsed by the FSC

The new standards and amendments issued by the IASB, but not yet endorsed by the FSC, which may have an impact on the consolidated financial statements are as follows:

Issue date	New standards and amendments	Description	Effective date Issued by IASB
May 12, 2011 June 28, 2012	‧ IFRS 10 Consolidated Financial Statements ‧ IFRS 11 Joint Arrangements ‧ IFRS 12 Disclosure of Interests in Other Entities ‧ Amended IAS 27 Separate Financial Statements ‧ Amended IAS 28 Investments in Associates and Joint Ventures	‧ On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model for determining whether an entity has control over an investee (including special purpose entities). However, the original guidance and method apply to the consolidation process. In addition, joint arrangements are separated into joint operations (formerly known as jointly controlled assets and jointly controlled operations), and joint venture (formerly known as jointly controlled entities), and removal of the proportionate consolidation method.	January 1, 2013

(Continued)

Issue date	New standards and amendments	Description	Effective date Issued by IASB
	•	• On June 28, 2012, amendments were issued clarifying the guidance over the transition period. • The Group may change the determination whether it has control over some investees; and more information about subsidiaries will be disclosed when this amendment is adopted.	
May 12, 2011	• IFRS 13 Fair Value Measurement	• Replaces fair value measurement guidance in other standards, and integrates as a single guidance. • The Group may analyze further the impacts on measurement of assets and liabilities when this standard is adopted. This amendment may require more disclosure of fair value. More fair value information will be disclosed when this amendment is adopted.	January 1, 2013
June 16, 2011	• Amended IAS 1 Presentation of Financial Statements	• Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. • The presentation of other comprehensive income in the statement of comprehensive income will be changed when this amendment is adopted.	July 1, 2012
June 16, 2011	• Amended IAS 19 Employee Benefits	• Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, it requires the immediate recognition of past service cost. • There will be an impact on the measurement and presentation of pension liabilities and actuarial gain or loss when this amendment is adopted.	January 1, 2013
Nov19, 2013	• Amended IAS 9 Financial Instrument	This amendment contains an objective for hedge accounting that aims to align accounting more closely with risk management and to provide useful information about the purpose and effect of hedging instruments. There may be more hedge accounting transactions, and the measurement and presentation of hedge instruments will be changed when this amendment is adopted.	Effective date undetermined early adoption is permitted.

(Continued)

(4) Summary of Significant Accounting Policies

The significant accounting policies adopted in preparing the consolidated financial statements have been applied consistently to the periods covered in the consolidated financial statements and to the consolidated statement of financial position as of January 1, 2012 prepared under the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission in the Republic of China (hereinafter referred to as "the IFRSs endorsed by the FSC"). These significant accounting policies are as follows:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as "the Regulations") and the IFRSs endorsed by the FSC.

These consolidated financial statements are the Group's first consolidated financial statements prepared in accordance with the IFRSs endorsed by the FSC, and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

(b) Basis of preparation

(i) Basis of measurement

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

1. Financial instruments at fair value through profit or loss are measured at fair value (including derivative financial instruments);
2. Available-for-sale financial assets are measured at fair value;
3. The defined benefit liability is recognized as the present value of the defined benefit obligation and unrecognized actuarial gain, less, plan assets, plus, unrecognized past service costs and unrecognized actuarial loss.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The accompanying consolidated financial statements include the accounts of the Company and all directly owned subsidiaries of the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group's control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

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

(Continued)

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

Name of the investor	Name of the Subsidiary	Business Activity	Percentage Ownership 2013.12.31	2012.12.31	2012.1.1	Remarks
The Company	Emerging Display Technologies Co., U.S.A.	sale of LCDs	100%	100%	100%	
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	
The Company	EDT-Europe ApS	sale of LCDs	100%	100%	100%	
The Company	Tremendous Explore Corp.	Trading	100%	100%	100%	
The Company	EDT-Korea	sale of LCDs	100%	100%	100%	
The Company	EDT-Japan	sale of LCDs	100%	100%	- %	Established in Sep. 2012
The Company	Ying Dar Investment Development Corp.	Investment	100%	100%	100%	
The Company	Bae Haw Investment Development Corp.	Investment	100%	100%	100%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	- %	- %	Established in July 2013
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 LCDs	100%	100%	100%	

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

1. Available-for-sale financial instrument;

2. Hedge of a net investment in a foreign operation; and

3. Qualified cash flow hedge.

(ii) Foreign operations

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

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

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

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

An asset is classified as current when:

1. The asset is expected to be realized or is intended to be sold or consumed in the normal operating cycle;

2. The asset is held primarily for the purpose of trading;

3. The asset is expected to be realized within twelve months after the reporting period; or

4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

1. The liability is expected to be settled in the normal operating cycle;

2. The liability is held primarily for the purpose of trading;

3. The liability is due to be settled within twelve months after the reporting period even though the refinancing loan is settled or the payment term is renegotiated after the balance sheet date but prior to the report date; or

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

All other liabilities are classified as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits with maturities of three months or less from the acquisition date , for the purpose of meeting short-term cash commitments, are readily convertible to known amounts of cash, and those which are subject to an insignificant risk of changes in value are also classified as cash and cash equivalents.

(Continued)

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1. Financial assets at fair value through profit or loss

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

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchase in the short term. A financial asset that meets one of the following conditions will be designated as measured at fair value through profit or loss:

a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or

b. The financial asset is managed and its performance is evaluated on a fair value basis, or

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value subsequently, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are accounted for under other gain and loss. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

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

2. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, these financial assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary assets, are recognized in other comprehensive income and presented under fair value reserve in equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

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

Dividend income is recognized in profit or loss on the date when the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date; such dividend income is recognized in profit or loss, under other income.

Interest income of bonds investment is recognized in profit or loss, under other income.

(Continued)

3. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables and debt investments without an active market; such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Interest income is recognized in profit or loss, under other income.

4. Impairment of financial assets

A financial asset which is not measured at fair value is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy; adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. Besides, for available-for-sale financial assets, a significant or prolonged decline in the fair value of the equity investment below its cost is also considered to be objective evidence of impairment.

Accounts receivable are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

An impairment loss in respect of a financial asset carried at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at a similar asset's market rate of return. A subsequent reversal of such impairment loss is not allowed.

The carrying amount of a financial asset is reduced for an impairment loss except for trade receivables, whose impairment loss is reflected through an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amounts of allowance account are recognized in profit or loss.

An impairment loss in respect of an available-for-sale financial instrument is recognized in profit or loss to the extent of the amount of accumulated gain or loss recognized in equity.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed and recognized in profit or loss to the extent of the amount of impairment loss recognized in prior years.

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

(Continued)

Any subsequent recovery of a written-off receivable is charged to the allowance account. Changes in the allowance account are recognized in profit or loss. Impairment losses and recoveries are recognized in profit or loss under administrative expenses for accounts receivable and other gains and losses for other financial assets.

5. Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when all the risks and rewards of ownership of the financial assets are substantially transferred.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity is recognized in profit or loss, and is included in other gains and losses.

On partial derecognition of a financial asset, the difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part derecognized and any cumulative gain or loss that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1. Classification of debt or equity instruments

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

Equity instruments include shares and any other instrument that evidences a residual interest in any entity. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Compound financial instruments issued comprise convertible bonds that can be converted into share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated between the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to a financial liability is recognized in profit or loss, and is included in finance costs or other gains or losses.

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

2. Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the short term. A financial liability that meets one of the following conditions will be designated as measured at fair value through profit or loss:

a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or

b. The liability is managed and its performance is evaluated on a fair value basis, or

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

Financial liabilities in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value subsequently, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in other gains and losses.

3. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise borrowings, accounts payable and other payables, are measured at fair value plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial, recognition, these financial liabilities are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

4. Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses.

5. Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments, including hedge accounting

Derivative financial instruments are held to hedge foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized as other gains and losses in profit or loss. For hedge derivatives determined to be an effective hedge, the timing of recognition of related gain or loss is determined based on the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

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

(h) Inventories

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

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

(Continued)

(i) Investment Property

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

The depreciable amount of an asset is determined after initial measurement. Depreciation methods, useful lives, and residual values are measured in conformity with the regulation of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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

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

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

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(Continued)

(l) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

The amortizable amount is the cost of an asset, less, its residual value.
Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Patents	9~20	years
Computer software cost	4~5	years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment of non-derivative financial assets

The Group assesses non-derivative financial assets, except inventories and deferred tax assets, at each reporting date to see if there is an indication of impairment. The impairment loss is determined based on an asset’s recoverable amount. If it is not possible to determine the recoverable amount (fair value, less, costs to sell and value in use) for an individual asset, then the Company will have to determine the recoverable amount for the asset’s cash-generating unit (CGU).

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

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of the acquirer’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(n) Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

(o) Treasury stock

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

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

(p) Revenue

(i) Goods sold

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

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

(ii) Lease income

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

(q) Employee benefits

(i)Defined contribution plans

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

(ii)Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. The expense is recognized in profit or loss to the extent that the benefits are vested immediately.

All actuarial gains and losses at January 1, 2012, the date of transition to the IFRSs endorsed by the FSC, were recognized in retained earnings. The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income, and the expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Termination benefits

Termination benefits result from either the Group's decision to terminate the employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits exist when the company has clearly committed to formal termination of employment plan which has no possibility to call off. Or when the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

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

(r) Share-based payment

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

(Continued)

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

(s) Income taxes

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current and deferred tax shall be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Net taxes payable (recoverable) include tax payable, tax refundable, and adjustments of tax payable for prior years.

Deferred tax is the amount of income taxes payable/receivable in future periods in respect of taxable temporary differences.

A deferred tax shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or

(b) Deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures where there is a high probability that such temporary differences will not reverse in the foreseeable future; or

(c) The initial recognition of goodwill.

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

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

(a) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities, but where each such entity intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or to realize the assets and settle the liabilities simultaneously.

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

(t) Earnings per share

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

(Continued)

(u) Operating segments

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

(5) Significant Accounting Judgments, Estimates, and Assumptions, and Sources of Estimation Uncertainty

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year are included in Note 6(q), the feasibility of deferred tax assets.

(6) Explanation of Significant Accounts

(a) Cash and cash equivalents

		2013.12.31	2012.12.31	2012.1.1
Cash and cash equivalents	$	257	475	713
Demand deposits		486,028	274,415	340,934
Check deposits		2,338	1,546	2,840
Time deposits		257,806	188,220	211,285
Total	**$**	**746,429**	**464,656**	**555,772**

Please refer to note 6(w) for the analysis of fair value sensitivity and interest rate risk of the financial assets and liabilities.

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

(1) Details were as follows:

Financial assets at fair value through profit or loss		2013.12.31	2012.12.31	2012.1.1
Credit-linked note	$	-	10,025	-
Foreign-exchange option		12,657	-	-
Euro-Convertible Bond		59,014	-	-
Total	**$**	**71,671**	**10,025**	**-**

Financial liabilities at fair value through profit or loss		2013.12.31	2012.12.31	2012.1.1
Security borrowing payable	$	9,165	-	-
Foreign-exchange option		-	243	61
Convertible bond contain an embedded derivative		-	1,982	10,080
Total	**$**	**9,165**	**2,225**	**10,141**

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

The Group used derivative financial instruments to manage the needs of foreign currency generated from operating activities, which was recorded as the financial asset or liability held for trading. The details were as follows:

	2012.12.31		
	Contract amount (in thousands)	Exercise Price	Maturity
Foreign currency options	USD 2,000	29.15 (TWD / USD)	2013.01.29~ 2013.02.18

	2012.1.1		
	Contract amount (in thousands)	Exercise Price	Maturity
Foreign currency options	USD 1,000	30.4 (TWD / USD)	2012.01.11

(c) Available-for-sale financial assets

		2013.12.31	2012.12.31	2012.1.1
Listed stocks in Taiwan	$	53,142	125,953	84,813
Foreign listed stocks		53,508	49,453	-
Open-end mutual funds		94,020	237,164	260,920
	$	**200,670**	**412,570**	**345,733**

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:

		2013		2012	
Equity price at reporting date		**After-tax other comprehensive income**	**After-tax profit (loss)**	**After-tax other comprehensive income**	**After-tax profit (loss)**
Increase 3%	$	4,997	-	10,273	-
Decrease 3%	$	(4,997)	-	(10,273)	-

Significant foreign equity investments at the end of the each period were as follows:

	2013.12.31			2012.12.31			2012.1.1		
	USD	Exchange rate	TWD	USD	Exchange rate	TWD	US	Exchange rate	TWD
USD	1,795	29.805	53,508	1,703	29.04	49,453	-	-	-

As of December 31, 2013 and 2012, and January 1, 2012, available-for-sale financial assets pledged as collateral for loans are disclosed in note 8.

(d) Bond investment without active market

		2013.12.31	2012.12.31	2012.1.1
Time deposits	**$**	**10,788**	**71,809**	**155,516**
Current	$	10,330	71,367	155,061
Non-current (recorded in other non-current financial assets)		458	442	455
	$	**10,788**	**71,809**	**155,516**

(Continued)

As of December 31, 2013 and 2012, and January 1, 2012, bond investment without an active market pledged as collateral for loans are disclosed in note 8.

(e) Financial assets at cost

		2013.12.31	2012.12.31	2012.1.1
Unlisted stocks	$	**185,000**	**35,000**	**35,000**

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 December 31, 2013 and 2012, and January 1, 2012, financial assets at cost were not pledged as collateral.

(f) Accounts receivable and other receivables

		2013.12.31	2012.12.31	2012.1.1
Account receivable	$	638,109	542,917	525,362
Other receivables-current		38,735	27,369	53,635
Other receivables- deposits paid		10,469	10,290	6,390
Less: allowance for doubtful accounts		(18,996)	(17,829)	(21,381)
	$	**668,317**	**562,747**	**564,006**

The aging analysis of unimpaired overdue receivables was as follows:

		2013.12.31	2012.12.31	2012.1.1
1~30 days	$	117,197	99,977	78,378
31~90 days		41,278	34,064	18,287
91~270 days		16,404	1,746	13,020
More than 271 days		4,058	3,430	14,284
	$	**178,937**	**139,217**	**123,969**

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

		Separately assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2013	$	17,227	602	17,829
Recognition of impairment loss		-	913	913
Reversal of impairment loss		(150)	-	(150)
The Effects of Changes in Foreign Exchange Rates		387	17	404
Balance at December 31, 2013	$	**17,464**	**1,532**	**18,996**

		Separately assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2012	$	20,187	1,194	21,381
Recognition of impairment loss		1,335	538	1,873
Reversal of impairment loss		(3,584)	(1,116)	(4,700)
The Effects of Changes in Foreign Exchange Rates		(712)	(13)	(725)
Balance at December 31, 2012	$	**17,226**	**603**	**17,829**

(Continued)

(g) Inventories

		2013.12.31	2012.12.31	2012.1.1
Raw materials	$	208,966	199,532	235,307
Work in process		364,394	313,455	387,547
Finished goods		309,557	344,167	349,629
Inventories in transit		7,387	6,585	10,664
Total	$	**890,304**	**863,739**	**983,147**

For the years ended December 31, 2013 and 2012, the cost of inventories recognized as operating costs and expensed were $3,142,602 and $3,355,260, respectively. In 2013, the reversal of write-downs amounted to $3,161, and in 2012, the write-down of inventories to net realizable value amounted to $14,421, which was included in the operating cost.

As of December 31, 2013 and 2012, and January 1, 2012, inventories were not pledged as collateral.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group in 2013 and 2012 are as follows:

		Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Cost or deemed cost:							
Balance at January 1, 2013	$	46,224	981,930	2,859,193	40,352	83,486	4,011,185
Additions		-	1,057	11,652	115	38,119	50,943
Reclassification		-	707	39,204	240	(3,479)	36,672
Disposals		-	-	(1,589)	(406)	(3,438)	(5,433)
Effect of movements in exchange rates		1,218	3,073	12,585	483	307	17,666
Balance at December 31, 2013	**$**	**47,442**	**986,767**	**2,921,045**	**40,784**	**114,995**	**4,111,033**
Balance at January 1, 2012	$	48,190	971,015	2,880,848	46,701	66,561	4,013,315
Additions		-	4,786	6,175	1,919	21,683	34,563
Reclassification		-	8,133	12,806	343	(2,424)	18,858
Disposals		-	-	(33,367)	(8,030)	(2,100)	(43,497)
Effect of movements in exchange rates		(1,966)	(2,004)	(7,269)	(581)	(234)	(12,054)
Balance at December 31, 2012	**$**	**46,224**	**981,930**	**2,859,193**	**40,352**	**83,486**	**4,011,185**
Depreciation and impairment loss:							
Balance at January 1 2013	$	-	589,250	2,461,438	36,049	48,287	3,135,024
Depreciation for the year		-	67,428	137,812	1,889	19,801	226,930
Disposals loss		-	-	(1,511)	(405)	(3,278)	(5,194)
Effect of movements in exchange rates		-	1,967	10,670	422	261	13,320
Balance at December 31 2013	**$**	**-**	**658,645**	**2,608,409**	**37,955**	**65,071**	**3,370,080**
Balance at January 1 2012	$	-	522,253	2,332,686	41,866	29,607	2,926,412
Depreciation for the year		-	68,024	165,366	2,659	20,550	256,599
Disposals loss		-	-	(30,909)	(8,024)	(1,750)	(40,683)
Effect of movements in exchange rates		-	(1,027)	(5,705)	(452)	(120)	(7,304)
Balance at December 31, 2012	**$**	**-**	**589,250**	**2,461,438**	**36,049**	**48,287**	**3,135,024**
Carrying amounts:							
Balance at December 31, 2013	**$**	**47,442**	**328,122**	**312,636**	**2,829**	**49,924**	**740,953**
Balance at December 31, 2012	**$**	**46,224**	**392,680**	**397,755**	**4,303**	**35,199**	**876,161**
Balance at January 1, 2012	**$**	**48,190**	**448,762**	**548,162**	**4,835**	**36,954**	**1,086,903**

(Continued)

As of December 31, 2013 and 2012, and January 1, 2012, property, plant and equipment pledged as collateral for short-term, long-term loans and finance are disclosed in note 8.

(i) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance at January 1, 2013	$ 10,079	21,670	31,749
Balance at December 31, 2013	**$ 10,079**	**21,670**	**31,749**
Balance at January 1, 2012	$ 10,079	21,670	31,749
Balance at December 31, 2012	**$ 10,079**	**21,670**	**31,749**
Depreciation and impairment loss:			
Balance at January 1, 2013	$ -	13,260	13,260
Depreciation for the year	-	360	360
Balance at December 31, 2013	**$ -**	**13,620**	**13,620**
Balance at January 1, 2012	$ -	12,899	12,899
Depreciation for the year	-	361	361
Balance at December 31, 2012	**$ -**	**13,260**	**13,260**
Carrying amounts:			
Balance at December 31, 2013	**$ 10,079**	**8,050**	**18,129**
Balance at December 31, 2012	**$ 10,079**	**8,410**	**18,489**
Balance at January 1, 2012	**$ 10,079**	**8,771**	**18,850**
Fair value：			
Balance at December 31, 2013			**$ 27,280**
Balance at December 31, 2012			**$ 27,280**
Balance at January 1 2012			**$ 27,280**

Investment property is leased to third parties for factory. Each of the leases contains an initial non-cancellable period of a year. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See note 6(i) for further information (including rental income and other direct operating cost).

Investment Property has no such valuation, that fact shall be disclosed. The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market are unavailable are both 3 %.

As of December 31, 2013 and 2012, and January 1, 2012, investment property 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) Intangible assets

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

		Patent and other	Computer software cost	Total amount
Initial cost				
Balance as of January 1, 2013	$	5,678	51,790	57,468
Individual acquisition		154	339	493
Effects of changes in foreign exchange rates		-	198	198
Balance as of December 31, 2013	**$**	**5,832**	**52,327**	**58,159**
Balance as of January 1, 2012	$	5,116	50,498	55,614
Individual acquisition		562	1,429	1,991
Effects of changes in foreign exchange rates		-	(137)	(137)
Balance as of December 31, 2012	**$**	**5,678**	**51,790**	**57,468**
Amortization				
Accumulated balance as of January 1, 2013	$	3,808	50,119	53,927
Amortization		209	704	913
Effects of changes in foreign exchange rates		-	188	188
Accumulated balance as of December 31, 2013	**$**	**4,017**	**51,011**	**55,028**
Accumulated balance as of January 1, 2012	$	3,626	48,367	51,993
Amortization		182	1,868	2,050
Effects of changes in foreign exchange rates		-	(116)	(116)
Accumulated balance as of December 31, 2012	**$**	**3,808**	**50,119**	**53,927**
Book value				
Balance as of December 31, 2013	**$**	**1,815**	**1,316**	**3,131**
Balance as of December 31, 2012	**$**	**1,870**	**1,671**	**3,541**
Balance as of January 1, 2012	**$**	**1,490**	**2,131**	**3,621**

Amortization expense recognized in profit or loss

For the years 2013 and 2012, the amortization expenses of intangible assets included in statement of comprehensive income were as follows:

		2013	2012
Operating cost	$	460	829
Operating expense		453	1,221
Total	$	913	2,050

As of December 31, 2013 and 2012, and January 1, 2012, Intangible assets were not pledged as collateral.

(k) Other current assets:

The details of other current assets were as follows:

		2013.12.31	2012.12.31	2012.1.1
Tax refund receivable	$	2,855	2,869	2,021
Prepayment for purchases		10,588	2,176	5,123
Other prepaid expenses		4,348	2,305	5,028
VAT paid		4,770	4,631	2,332
Others		4,692	3,849	22,194
	$	27,253	15,830	36,698

(l) Short-term loans:

The details of short-term loans were as follows:

Type	2013.12.31	2012.12.31	2012.1.1
Letters of credit	$ 11,490	12,406	7,193
Secured bank loans	180,000	-	20,000
Total	$ 191,490	12,406	27,193
Unused lines of credit	$ 849,162	1,139,914	1,235,007
Interest rates applied	1.33%~2.25%	1.27%~1.88%	1.30%~1.95%

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

(m) Long-term loans:

The details of long-term loans were as follows:

Type	2013.12.31	2012.12.31	2012.1.1
Secured bank loans	$ 660,000	780,000	900,000
Less: current portion	-	(780,000)	(120,000)
Total	$ 660,000	-	780,000
Unused lines of credit	$ 300,000	300,000	300,000
Interest rates applied	2.0137%~2.12%	2.0526%~2.0989%	2.0116%~2.0642%

(i) Collateral for long-term loans

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

(ii)The violation of loan agreement

In February 2011, the Company signed a 5-year loan contract with a total credit line of $1,200,000 with E. Sun Bank and six other banks. In pursuant to the loan contract, for the duration of the loan, the Company must conform to the predetermined financial covenants involving the 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. But during the said period, the interest rate would increase to 0.125% until the Company improves their financial ratio. 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 $2,000,000 should be maintained starting from 2011.

In the 2012, the consolidated financial statements' long-term borrowings were reclassified to long-term borrowings－current portion due to the fact that certain financial ratios did not meet the requirement. The Company has obtained the exemptions of agreement in March, 2013. Therefore, the Company repays the loan based on payback period.

In November 2013, the Company signed a 3-year loan contract with a total credit line of $910,000 with E. Sun Bank and five other banks on the purpose of repaying the long-term loans as mentioned above and raising operating capital. 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.

(Continued)

(n)Convertible bonds payable

	2013.12.31	2012.12.31	2012.1.1
Aggregate principal amount	$ 300,000	300,000	300,000
Cumulative redeemed amount	(300,000)	(233,700)	-
	-	66,300	300,000
Bond discount	-	(944)	(9,504)
Balance of bonds payable	$ -	65,356	290,496

	2013.12.31	2012.12.31	2012.1.1
Embedded derivatives－put and call option (recognized in financial liabilities at fair value through profit or loss)	$ -	1,982	10,080
Equity components－conversion option(recognized in capital surplus-share options)	$ -	1,391	6,294

	2013	2012
Embedded derivatives－valuation gain or loss on put and call option (recognized in gain or loss on financial liabilities at fair value through profit or loss)	$ (1,982)	(736)
Interest expenses	$ 944	4,448

On October 22, 2010, the Company issued the fourth issuance of domestic secured convertible bonds, which amounted to $300,000, with a 3-year term and a nominal interest rate of 0%. The major terms are as follows:

(1) Conversion price: The conversion price at the date of issue was TWD 16.2 per share. After the issuance of the bonds, the conversion price of the bonds should be adjusted due to the anti-dilution adjustments in the indenture. On December 31, 2012 and 2011, the adjusted conversion price was TWD 15.8.

(2) Conversion period: The conversion right may be exercised by the bondholder from the day one month after the issue date up to 10 days prior to the maturity date of the bonds as described in the conversion plan.

(3) The exercise of the put option by the bondholders: The convertible bondholders may request the Company to redeem the bonds for cash at the par value, plus, interest premium 30 days prior to the second and third anniversary of the issue date. The annual interest rates for the redemption two years and three years after the issuance date are 2.01% and 3.0301%, respectively. The Company will accept the request and shall redeem the bonds for cash five trading days after the put option is exercised.

(4) The exercise of the call option by the Company: The Company may exercise the call option to purchase the bonds at a yield rate as described in the conversion plan for cash from the day one month after the issue date to forty days prior to the maturity date if the quoted market price of the Company’s common shares exceeds 30% of the initial conversion price for 30 consecutive trading days, or if the total amount of convertible bonds outstanding is lower than 10% of the nominal amount of the issue.

(5) Redemption amount at maturity: Unless the bonds have been previously redeemed, repurchased and canceled, or converted, the Company will redeem the bonds by cash based on the par value of the bonds at their maturity date.

The above convertible bond is guaranteed by Shin Kong Bank. The Company provides a time deposit as guarantee for the convertible bond for the duration of the indenture. Please see Note 8.

(Continued)

For the years ended December 31, 2013 and 2012, the bondholders exercised a put option, and the Company paid $68,309 and $238,397, respectively, (including compensation interest on bonds) to redeem the convertible bonds with a par value of $66,300 and $233,700, which resulted in redemption losses of $2,009 and $1,448, respectively (included in other gain and loss in the consolidated income statements). Also, the capital surplus－stock option was written off proportionately and credited to capital surplus – expired stock option which amounted to $1,391 and $4,903, respectively.

(o)Operating lease

(i)The Company as lessee

Based on current lease terms, future rental commitments of non-cancellable lease are as follows:

		2013.12.31	2012.12.31	2012.1.1
Less than one year	$	11,149	13,098	13,256
Between one and five years		15,107	19,385	35,528
More than 5 years		-	1,317	4,258
	$	26,256	33,800	53,042

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

The rental expenses of operating lease were $13,888 and $12,312 for the years ended December 31, 2013 and 2012, respectively, included in profit or loss.

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. The rent paid to the landlord is increased to the market rent at regular intervals, and the Group does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord. Therefore, the Company determined that the land and building elements of the warehouse and factory leases are operating leases.

(ii)The Company as lesser

The Company leases out its investment properties to third parties under operating lease, please refer to note6(i). The future minimum lease receivable under non-cancellable leases is as follows:

		2013.12.31	2012.12.31	2012.1.1
Less than one year	$	158	158	158

The rental income from investment properties were both $900 in 2013 and 2012. The investment properties did not have any significant maintenance expense.

(p)Employee benefits

(i) Defined benefit plan

The defined benefit obligation was as follows:

		2013.12.31	2012.12.31	2012.1.1
Present value of unfunded benefit obligations	$	-	-	-
Present value of funded benefit obligations		169,841	165,663	136,883
Present value of defined benefit obligation		169,841	165,663	136,883
Fair value of plan assets		(83,920)	(78,182)	(72,678)
Net liabilities of defined benefit obligations	$	85,921	87,481	64,205

1. Plan assets

The Group set aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the funds were managed by the Labor Pension Fund Supervisory Committee. Minimum annual distributions of the funds by the Committee shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund.

The Group's labor pension reserve account balance in Bank of Taiwan amounted to $83,920, $78,182 and $72,678 as of December 31, 2013 and 2012, and January 1, 2012, respectively. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Labor Pension Fund Supervisory Committee, Council of Labor Affairs, Executive Yuan.

For the years ended of December 31, 2013 and 2012, and January 1, 2012, the pension expenses which were not yet allocated to the labor pension reserve account in Bank of Taiwan were included in the balance sheet as accrued expenses payable. Payments of retirement benefits are based on the employee's years of service and the average salary for the six month period before the employee's retirement.

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

		2013	2012
Obligation at beginning of year	$	165,663	136,883
Current service and interest cost		3,949	3,779
Actuarial loss (gain)		229	25,001
Obligation at end of year	$	169,841	165,663

3. Changes in present value of plan assets were as follows:

		2013	2012
Fair value of assets at beginning of year	$	78,182	72,678
Expected return on plan assets		1,410	1,499
Contributions made by employer		4,724	4,778
Actuarial gain (loss)		(396)	(773)
Fair value of assets at end of year	$	83,920	78,182

4. Cost recognized in profit or loss

		2013	2012
Current service cost	$	1,050	1,041
Interest cost		2,899	2,738
Expected return on plan assets		(1,410)	(1,499)
	$	2,539	2,280
Operating cost	$	2,002	1,790
Selling expenses		98	79
General and administrative expenses		245	228
Research and development expenses		194	183
	$	2,539	2,280
Actual return on assets	$	1,014	726

(Continued)

5. Actuarial gains and losses recognized in other comprehensive income

The actuarial gains and losses recognized by the Group in other comprehensive income in 2013 and 2012 were as follows:

	2013	2012
Cumulative amount at January 1	$ (25,774)	-
Recognized during the period	(625)	(25,774)
Cumulative amount at December 31	**$ (26,399)**	**(25,774)**

6. Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2013.12.31	2012.12.31
Discount rate at December 31	2%	1.75%
Expected return on plan assets	2%	1.75%
Future salary increases	3%	2.5%

Expected return on plan assets were calculated based on the whole investment portfolio rather than summarizing individual return on each asset. Such rate of return was determined on the basis of historical return rate, which will not be adjusted.

7. Experience adjustment based on historical information

	2013.12.31	2012.12.31	2012.1.1
Present value of defined benefit obligation	$ 169,841	165,663	136,883
Fair value of plan assets	(83,920)	(78,182)	(72,678)
Net liabilities (assets) of defined benefit obligations	**$ 85,921**	**87,481**	**64,205**
Experience adjustments arising on the present value of defined benefit plans	**$ 229**	**25,001**	**-**
Experience adjustments arising on the fair value of the plan assets	**$ 396**	**773**	**-**

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was $4,798.

8. When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31 2013, the Company's accrued pension liabilities were $85,536. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by $7,837 or increased by $8,299, respectively.

(ii)Defined contribution plan

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

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

The Group's pension costs under the defined contribution method were $28,254 and $27,416 for 2013 and 2012, respectively. Payment was made to the Bureau of the Labor Insurance.

(iii) Other employee benefits

1. Compensated absences liability

	2013.12.31	2012.12.31	2012.1.1
recognized as current liability-other payables	$ 23,122	23,085	21,219

2. The Group provided its employee interest-free loans amounting to $343 and $370 for 2013 and 2012, respectively. They were recognized as employee benefit costs and were included in the operating expense of comprehensive income.

(q)Income tax

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

	2013	2012
Current tax expense		
Current period	$ 8,371	4,565
Adjustment for prior years	-	(1)
	8,371	4,564
Deferred tax expense		
Origination and reversal of temporary differences	2,969	21,069
Income tax expense	**$ 11,340**	**25,633**

No income tax was recognized directly in equity in 2013 and 2012.

No income tax was recognized in other comprehensive income in 2013 and 2012.

Reconciliation of income tax and profit before tax for 2013 and 2012 is as follows.

	2013	2012
Income before income tax	**$ 61,147**	**(87,581)**
Income tax calculated based on the company's tax rate	$ 10,395	(14,889)
Effect of tax rates in foreign jurisdiction	2,150	1,131
Income tax already paid abroad	337	-
Tax-exempt income	(1,575)	(1,715)
Tax incentives	17,621	19,129
Adjustment for prior years	-	(1)
Recognition of previously unrecognized tax losses	(19,314)	-
Current-year losses for which no deferred tax asset was recognized	16	14,564
Change in unrecognized temporary differences	(5,585)	(3,860)
Income Basic Tax	349	-
Others	6,946	11,274
	$ 11,340	**25,633**

(Continued)

(ii) Deferred Tax Assets and Liabilities

1. Unrecognized Deferred Tax Assets

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

		2013.12.31	2012.12.31	2012.1.1
Tax losses	$	820	20,134	14,552
Unrealized inventory valuation and obsolescence loss		16,338	14,918	11,900
Investment tax credits		2,030	9,284	7,617
Others		2,966	2,717	2,280
	$	22,154	47,053	36,349

In accordance with the "Statute for Upgrading Industries", investment tax credits earned can be used to offset income tax payable within the next five years, including the current year, up to a maximum of 50% of income tax payable in the current year. However, tax credits can be fully utilized in the year of expiration. The above tax-related provisions of the "Statute for Upgrading Industries" expired on December 31, 2009. The Company's unused balances of investment tax credits derived from research and development expenditures, employee training expenditures, and acquisitions of machinery and equipment that occurred before December 31, 2009 have not been recognized as deferred tax asset yet because the Company's unsure future tax income may not enough to provide the temporary differences.

As of December 31, 2012, the Company unrecognized deferred tax asset which can be offset against future income taxes were as follows:

Year of Expiry		Amount
2014	$	**2,030**

2. Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 were as follows:

Deferred Tax Assets:

		Amount
Balance at January 1, 2013	$	119,348
Unrealized loss of inventory valuation		875
Unrealized sales profit from affiliated company		2,975
Tax loss carry-forward		21,602
Pension over limited		(374)
Impairment loss		(11,465)
Investment tax credits		(10,367)
Other adjustment of temporary differences		(5,615)
Balance at December 31 ,2013	$	116,979
Balance at January 1, 2012	$	140,928
Allowance for inventory valuation		(1,264)
Tax loss carry-forward		5,023
Pension over limited		(312)
Investment tax credits		(20,796)
Other adjustment of temporary differences		(4,231)
Balance at December 31, 2012	$	119,348

(Continued)

Deferred Tax Liabilities:

		Amount
Balance at January 1, 2013	$	81
Unrealized foreign exchange gain		1,150
Other adjustment of temporary differences		95
Balance at December 31 ,2013	$	1,326
Balance at January 1, 2012	$	553
Allowance for inventory valuation		(198)
Other adjustment of temporary differences		(274)
Balance at December 31, 2012	$	81

(iii) Approval of income tax

The Company’s income tax returns for all fiscal years up to 2011 have been examined and approved by the R.O.C. tax authority.

(iv) The components of the Company’s unappropriated retained earnings were as follows:

	2013.12.31	2012.12.31	2012.1.1
1997 and prior years	$ -	-	-
1998 and thereafter	(223,624)	(273,693)	(135,015)
	$ (223,624)	(273,693)	(135,015)
Balance of imputation credit	$ 1,789	1,429	675

	2013 (expected)	2012 (actual)
Tax creditable ratio for earnings distributed to residents in R.O.C.	-	-

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

(r) Share capital and other equity

(i)Common stock

As of December 31, 2013, and 2012, and January 1, 2012, the authorized share capital of the Company were all $3,500,000, comprising 350,000 thousand shares with a par value of TWD10 per share. Issued shares were all 217,313 thousand shares. All the capital was fully paid.

(ii) Capital surplus

As of December 31, 2013 and 2012, capital surplus was as follows:

Item	2013.12.31	2012.12.31	2011.12.31
Conversion option	$ -	1,391	6,294
Expired stock option	6,294	4,903	-
	$ 6,294	6,294	6,294

According to the Company Act, as amended in January 2012, any realized capital surplus is initially used to cover deficit and the balance, if any, could be transferred to common stock as stock divided or distributed by 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 in may not exceed 10% of paid-in capital.

(iii) Retained earnings

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

1. Pay income tax;
2. Make up accumulated deficit;
3. Distribute legal reserve;
4. Distribute special reserve;
5. 3% of the remainder is distributable as directors’ and supervisors’ remuneration;
6. At least 5% of the remainder is distributable as employee bonuses.
7. 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 adopts residual dividend policy based on its future capital budget plan and operating capital needs. Besides, the Company also takes the dilution scale of EPS and the effect to ROE in consideration. 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 current year.

a. Legal reserve

According to the ROC Company Act as amended in January 2012, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of the paid-in capital. When a company incurs no loss, it may, in pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or 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 the IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset were 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. The Company’s retained earnings this year decreased due to the first-time adoption of the IFRSs. As of December 31, 2013, the Company has an accumulated deficit, therefore, there is no need to distribute any special reserve.

(Continued)

c. Earnings distribution

As of December 31, 2013 and 2012, the Company had accumulated deficit and did not have to estimate the amount of employee bonuses and directors' and supervisors' remuneration.

Due to accumulated deficit in 2012, and 2011, the estimation of employee bonuses and directors' and supervisors' remuneration were zero, equal to the actual payment. The related information can be accessed through the Market Observation Post System.

On June 6, 2012, the Company stockholders' meeting decided to use 2011 net income after tax to make up for the previous years' accumulated deficit with no dividend distribution.

On June 7, 2013, due to the accumulated deficit occurred in 2012, there is no need to distribute any dividend approved by the Company's stockholders.

(iv)Other equity

		Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment
January 1, 2013	$	(7,467)	(46,898)
Foreign exchange differences			
(net of taxes):			
The Group		7,327	-
Unrealized gains and losses from available-for-sale investment:			
The Group		-	(2,379)
December 31, 2013	$	(140)	(49,277)

		Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment
January 1, 2012	$	-	(32,705)
Foreign exchange differences			
(net of taxes):			
The Group		(7,467)	-
Unrealized gains and losses from available-for-sale investment:			
The Group		-	(14,193)
December 31, 2012	$	(7,467)	(46,898)

(v) Treasury stock

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. In 2013 and 2012, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose any of the Company's shares. As of December 31, 2013 and 2012, and January 1, 2012, Ying Dar Corp. and Bae Haw Corp. together held 8,794,388 shares of the Company's common stock. As of December 31, 2013 and 2012, and January 1, 2012, their market values amounted to $50,656, $48,633 and $45,027, respectively.

(s)Earnings per share

		2013	2012
Basic earnings per share			
Profit(loss) attributable to owners of parent	**$**	**50,694**	**(112,904)**
Weighted-average number of common shares at end of year (expressed in thousands of shares)		**217,313**	**217,313**
Expressed in New Taiwan dollars	**$**	**0.23**	**(0.52)**
Diluted earnings per share			
Profit(loss) attributable to owners of parent	$	50,694	(112,904)
Effect of dilutive potential common shares－convertible bonds (note)		944	-
Profit(loss) attributable to owners of parent	**$**	**51,638**	**(112,904)**
Weighted-average number of common shares (expressed in thousands of shares)		217,313	217,313
Effect of conversion of convertible bonds (note) (expressed in thousands of shares)		4,196	-
Weighted-average number of common shares -diluted (expressed in thousands of shares)		**221,509**	**217,313**
(Express in thousands of New Taiwan dollars**)**	**$**	**0.23**	**(0.52)**

Note: In 2012, Consolidated Companies incurred a loss; therefore, including potential common shares in the diluted loss per share computation would result in an anti-dilutive effect, so such shares should not be included.

In computing basic earnings (loss) per share of common stock for the years ended December 31, 2013 and 2012, 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) Other operating income and expenses

Other operating income and expenses were rental revenue.

(u) Non-operating income and expenses

(i)Other income

Details of other income in 2013 and 2012 were as follows:

		2013	2012
Interest income			
Bank deposits	$	2,703	2,761
Other loans and receivables		343	370
Dividend Revenue		5,825	2,307
Others		1,887	1,947
	$	**10,758**	**7,385**

(ii)Other gains and losses

Details of other gains and losses in 2013 and 2012 were as follows:

		2013	2012
Foreign exchange gains (losses), net	$	31,302	(24,340)
Net gains on disposal of investments		4,521	7,784
Net gains on disposal of financial assets at fair value through profit or loss		6,196	3,452
Gains on disposal of property, plant and equipment, net		57	468
Losses on redemption of convertible bonds		(2,009)	(1,448)
Others		(1,018)	(799)
	$	39,149	(14,883)

(iii)Finance costs

Details of finance costs in 2013 and 2012 were as follows:

		2013	2012
Interest expenses			
Bank loans	$	16,554	17,466
Bonds payable		944	4,448
Administration fee		1,724	2,964
	$	19,222	24,878

(v) Reclassified adjustments of the components in other comprehensive income

Details of the Reclassified adjustments of the components in other comprehensive income in 2013 and 2012 were as follows:

		2013	2012
Available-for-sale financial assets			
Net change in fair value occurred in current year	$	(7,334)	(22,160)
Net change in fair value reclassified to income		4,955	7,967
Net change in fair value recognized in other comprehensive income	$	(2,379)	(14,193)

(w)Financial instruments

(i) Categories of financial instruments

1. Financial assets

		2013.12.31	2012.12.31	2012.1.1
Financial assets at fair value through profit or loss	$	71,671	10,025	-
Available-for-sale financial assets		200,670	412,570	345,733
Financial Assets Carried at Cost		185,000	35,000	35,000
Loans and receivables:				
Cash and cash equivalents		746,429	464,656	555,772
Bonds investments without active market		10,330	71,367	155,061
Accounts receivable		628,054	533,800	513,064
Other receivables		29,794	18,657	44,552
Other financial assets-noncurrent		10,927	10,732	6,845
Total	$	1,882,875	1,556,807	1,656,027

(Continued)

2. Financial liabilities

	2013.12.31	2012.12.31	2012.1.1
Financial liabilities at fair value through profit or loss	$ 9,165	2,225	10,141
Short-term loans	191,490	12,406	27,193
Notes payable	1,754	1,145	2,287
Accounts payable	519,887	475,075	448,214
Other payables	213,936	232,474	190,654
Bonds payable	-	65,356	290,496
Long-term loans	660,000	780,000	900,000
Total	$ 1,596,232	1,568,681	1,868,985

(ii) Credit risk

1. Exposure to credit risk

The Group's maximum exposure to credit risk was the carrying amount of financial assets. As of December 31, 2013 and 2012, and January 1, 2012, the Company's maximum exposures to credit risk amounted to $1,882,618, $1,556,332 and $1,655,314, respectively.

2. Concentration on credit risk

The Group measures the possibility of collecting the accounts receivable periodically, and also records allowance for doubtful account which is always under the expectation of the management. The Group has a significant concentration on certain major customers of their sales. As of December 31, 2013 and 2012, two customers accounted for 23% and 26%, respectively, of total accounts receivable.

(iii) 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.

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 years	Due in over 5 years
December 31, 2013							
Non-derivative financial liabilities							
Secured loans	$ 665,814	(706,201)	(12,870)	(6,815)	(82,774)	(603,742)	-
Convertible bonds	-	-	-	-	-	-	-
Unsecured loans	185,676	(186,227)	(186,227)	-	-	-	-
Accounts payable	519,887	(519,887)	(519,887)	-	-	-	-
Notes payable	1,754	(1,754)	(1,754)	-	-	-	-
Other payable	120,311	(120,311)	(120,311)	-	-	-	-
	$ 1,493,442	(1,534,380)	(841,049)	(6.815)	(82.774)	(603.742)	-
December 31, 2012							
Non-derivative financial liabilities							
Secured loans	$ 784,838	(806,307)	(69,974)	(736,333)		-	-
Convertible bonds	65,356	(68,309)	(68,309)	-	-	-	-
Unsecured loans	7,568	(7,627)	(7,627)	-	-	-	-
Accounts payable	475,075	(475,075)	(474,887)	(188)	-	-	-
Notes payable	1,145	(1,145)	(1,145)	-	-	-	-
Other payable	146,090	(146,090)	(146,090)	-	-	-	-
Derivative financial liabilities							
Embedded instruments	1,982	-	-	-	-	-	-
Foreign exchange options	243	(243)	(243)	-	-	-	-
	$ 1,482,297	(1,504,796)	(768,275)	(736,521)	-	-	-
January 1, 2012							
Non-derivative financial liabilities							
Secured loans	$ 902,856	(937,730)	(69,157)	(65,476)	(558,466)	(244,631)	-
Convertible bonds	290,496	(309,090)	-	(309,090)	-	-	-
Unsecured loans	24,337	(24,383)	(24,383)	-	-	-	-
Accounts payable	448,214	(448,214)	(448,035)	(179)	-	-	-
Notes payable	2,287	(2,287)	(2,287)	-	-	-	-
Other payable	125,318	(125,318)	(125,318)	-	-	-	-
Derivative financial liabilities				-	-	-	-
Embedded instruments	10,080	-	-	-	-	-	-
Foreign exchange options	61	(61)	(61)	-	-	-	-
	$ 1,803,649	(1,847,083)	(669,241)	(374,745)	(558,466)	(244,631)	-

(Continued)

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

(iv) Foreign currency risk

1. Exposure to foreign currency risk

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

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	NTD amount	Foreign currency	Exchange rate	NTD amount	Foreign currency	Exchange rate	NTD amount
Financial assets									
Monetary items									
USD	$ 40,461	29.805	1,205,946	36,921	29.04	1,072,184	33,760	30.275	1,022,079
JPY	52,900	0.2839	15,039	93,635	0.3364	31,499	80,319	0.3906	31,373
CNY	21,778	4.919	107,126	284	4.66	1,324	-	-	-
Non-monetary items									
USD	1,795	29.805	53,508	1,703	29.04	49,453	-	-	-
Financial liabilities									
Monetary items									
USD	12,539	29.805	373,739	12,488	29.04	362,646	11,014	30.275	333,463
NTD	6,677	1	6,677	28,472	1	28,472	52,347	1	52,347
JPY	47,875	0.2839	13,591	99,175	0.3364	33,362	112,664	0.3906	44,006
HKD	-	-	-	28	3.747	106	28	3.897	111
Non-monetary items									
USD	-	-	-	8	29.04	243	2	30.275	61

2. Sensitivity analysis

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 December 31, 2013 and 2012, the exchange rate of the TWD versus the USD, CNY, HKD, and JPY increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by $7,753 and $5,645, respectively. The equity will increase or decrease by $444 and $410, respectively.

(v) Interest rate risk

For the Company’s financial assets and liabilities exposed to interest rate risk, please refer to the attached note about Liquidity 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 years 2013 and 2012 would have been decreased or increased by $851 and $792, respectively, mainly as a result of liabilities bearing floating interest rates.

(vi) Fair value

1. Fair value and carrying amount

Other than those listed below, the company considers the carrying amounts of its financial assets and liabilities measured at amortized cost to be a reasonable approximation of fair value:

	2013.12.31		2012.12.31		2012.1.1	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities measured at amortized cost:						
Convertible bonds-non-derivative financial liabilities	$ -	-	65,356	65,617	290,496	291,450

2. Interest rate used in determining fair value

The interest rate to estimate the discounted cash flows is based on the government yield, plus, appropriate credit spread. Interest rates were as follows:

	2013	2012
Bonds payable	1.0108%	1.0108%
Long-term loans	2.0137%~2.12%	2.0463%~2.0989%

3. Level of fair value

The table below analyzes the financial instruments carried at fair value by the levels of the fair value hierarchy. The different levels have been defined 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).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Financial assets at fair value through profit or loss-current	$ 59,014	12,657	-	71,671
Available-to-sale financial assets-current	200,670	-		200,670
	259,684	12,657		272,341
Financial liabilities at fair value through profit or loss-current	(9,165)	-	-	(9,165)
	$ 250,519	**12,657**	**-**	**263,176**
December 31, 2012				
Financial assets at fair value through profit or loss-current	$ -	10,025	-	10,025
Available-to-sale financial assets-current	412,570	-	-	422,595
	412,570	10,025		422,595
Financial liabilities at fair value through profit or loss-current	-	(2,225)	-	(2,225)
	$ 412,570	**7,800**	**-**	**420,370**

(Continued)

	Level 1	Level 2	Level 3	Total
January 1, 2012				
Available-to-sale financial assets-current	$ 345,733	-	-	345,733
Financial liabilities at fair value through profit or loss-current	-	(10,141)	-	(10,141)
	$ 345,733	**(10,141)**	**-**	**355,592**

(x)Financial risk management

1. The extent of risk exposure arising from the use of financial instruments was as follows:
   (i) Credit risk
   (ii) Liquidity risk
   (iii) Market risk

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

2. Risk management framework

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

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

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

3. Credit risk

   Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's accounts receivable, bank deposits and foreign exchange derivative instruments.

(1) Accounts receivable and other receivables

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

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

   The Group established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and other receivables. Major components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component, wherein, the loss is incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

(2) Investments

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

4. Liquidity risk

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

As of December 31, 2013, 2012 and January 1, 2012, the Group has unused credit facilities for short-term amounting to $849,162, $1,139,994 and $1,235,007, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.
The Group engages in derivative financial instruments trading in order to manage the market risk, thus, generating financial liabilities or financial assets, all the execution of those transactions were under the Board's instruction.

(1) Currency risk

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

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

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the New Taiwan Dollars (TWD) and US Dollars (USD).

When the assets and liabilities denominated in a currency other than a functional currency had a short-term imbalance, the Group should purchase or sell foreign currencies at the spot rate on the transaction date in order to maintain an acceptable exposure to currency risk.

(2) Interest risk

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

(3) Other market price risk

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

(Continued)

(y) Capital management

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

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

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

The Group and other entities in the similar industry use the debt-to-equity ratio to manage their capital. This ratio uses the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non-controlling interest, plus, net debt.

The Group's debt-to-equity ratios at the reporting date were as follows:

	2013.12.31	2012.12.31	2012.1.1
Total liabilities	$ 1,727,862	1,668,081	1,948,605
Less: cash and cash equivalents	746,429	464,656	555,772
Net debt	$ 981,433	1,203,425	1,392,833
Total equity	$ 1,953,317	1,822,893	1,983,699
Debt-to-equity ratio	50.24%	66.02%	70.21%

The Group does not have any plan to repurchase treasury stocks. As of December 31, 2013, the Group's capital management strategy is consistent with the prior years.

(z) Investing activities and financing activities with non-cash transaction

The Group's investing activities and financing activities with non-cash transaction as of December 31, 2013 and 2012, and January 1, 2012 were as follows:

	2013.12.31	2012.12.31	2012.1.1
Current portion of long-term loans	$ -	845,356	410,496
Receivables on disposal of fixed assets	$ -	1,050	-
Payables on purchasing property, plant, and equipment	$ 23,517	18,616	19,018
Receivables on disposal of available-to-sale financial assets	$ -	-	22,609

(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:

		2013	2012
Short-term employee benefits	$	17,359	17,230
Post-employment benefits		483	467
Other long-term benefits		-	-
Share-based payments		-	-
	$	17,842	17,697

The Group provided two of their own cars and another rental car for their key management personnel to use. The book value of those two cars amounted to $1,800 and $2,860, respectively, and the rental expense of the other rental car amounted to $923 in both 2013 and 2012.

(8) Pledged Assets

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

Pledged assets	Purpose		2013.12.31	2012.12.31	2012.1.1
Bond investments without active market －current－time deposits	Guarantee for customs and government grants and convertible bonds payable	$	830	71,367	155,061
Property, plant and equipment－buildings	Guarantee for long-term borrowings		304,938	311,514	362,612
Property, plant and equipment－machinery and equipment	Guarantee for short-term and long-term borrowings		204,390	294,913	386,288
Other financial assets－noncurrent－time deposits	Guarantee for lease contract		458	442	455
Investment property	Guarantee for short-term borrowings		15,359	12,443	12,721
Available-for-sale financial assets－current	Stock loan guarantee		14,312	-	-
		$	**540,287**	**690,679**	**917,137**

(9) Commitments and Contingencies

(a) As of December 31, 2013 and 2012, and January 1, 2012, The Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to $47,199, $95,327 and $80,426, respectively.

(b) As of December 31, 2013 and 2012, and January 1, 2012, The Group has signed contracts for the purchase of equipments. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to $18,408, $13,626 and $4,929, respectively.

(10) Losses Due to Major Disaster: None

(11) Significant Subsequent Event: None

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(12) Others

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

	2013			2012		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	421,426	163,907	585,333	455,692	168,965	624,657
Labor and health insurance	38,764	12,379	51,143	38,294	14,574	52,868
Pension expense	21,593	9,200	30,793	20,862	8,834	29,696
Other personnel cost	23,740	5,305	29,045	22,628	6,690	29,318
Depreciation	215,301	11,989	227,290	246,372	10,588	256,960
Amortization	460	453	913	829	1,221	2,050

(13) Supplementary Disclosure Requirements

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the year ended December 31, 2013 were as follows:

(a) Information on substantial transactions:

(1) Loans extended to other parties:

No.	Loan provider	Name	Financial statement account	Related Parties	Maximum balance for the period	Ending balance	Amount actually drawn	Interest rate	Nature of loan extended	Transaction amounts	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Financing limit for each borrowing company	Company's financing amount limit
													Item	Value		
1	Emerging Display International (Samoa) Corp	The Company	Other receivable from related parties	yes	7,500 (US$ 250,000)	-	-		The requirement for short-term financing	-	The requirement for working capital.	-	-	-	187,205 (Note 1)	748,819 (Note 2)

Note 1: The loan extended to each party for short-term financing was limited to 10% of the loan provider's net equity.

Note 2: The aggregate loan amount extended to the other parties for short-term financing was limited to 40% of the loan provider's net equity.

(2) Guarantees provided to other parties: None

(3) Securities owned as of December 31, 2013 (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	December 31, 2013				Highest shareholding during the year		Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	Units (shares)	Ratio	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost－noncurrent	1,000,000	10,000	5.00%	8,184	1,000,000	5.00%	(Note 1)
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost－noncurrent	1,000,000	25,000	2.23%	16,469	1,000,000	3.24%	(Note 1)
The Company	Innolux Corporation stock	-	Available-for-sale financial assets－current	1,066,922	12,109	-	12,109	1,066,922	-	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets－current	480,000	11,688	-	11,688	480,000	-	-
The Company	Coasia Microelectronics Corp.	-	Available-for-sale financial assets－current	386,610	5,780	-	5,780	386,610	-	-
The Company	Apple Inc. stock	-	Available-for-sale financial assets－current	3,200	53,508	-	53,508	3,200	-	-
The Company	Yuanta Emerging Bond Fund	-	Available-for-sale financial assets－current	1,836,682.2	18,955	-	18,955	1,836,682.20	-	-

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Name of security holder	Name of security and type	Relationship between the investee and the Company	Financial statement account	December 31, 2013				Highest shareholding during the year		Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	Units (shares)	Ratio	
The Company	Paradigm Emerging Asia Pacific Bond Fund	-	Available-for-sale financial assets－current	1,912,813.94	18,982	-	18,982	1,912,813.94	-	-
The Company	PineBridge EM Corporate Strategy Bond Fund-A	-	Available-for-sale financial assets－current	3,704,492.62	38,774	-	38,774	3,704,492.62	-	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx	-	Available-for-sale financial assets－current	2,000,000	17,309	-	17,309	2,000,000.00	-	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets－current	550,000	13,392	-	13,392	550,000.00	-	-
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Available-for-sale financial assets－current	100,000	920	-	920	100,000.00	-	-
Ying Dar Investment Development Corp.	The Company's stock	-	Available-for-sale financial assets－current	5,346,672	30,797	2.36%	30,797	5,346,672.00	2.36%	(Note 2)
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets－current	380,000	9,253	-	9,253	380,000.00	-	-
Bae Haw Investment Development Corp.	The Company's stock	-	Available-for-sale financial assets－current	3,447,716	19,859	1.52%	19,859	3,447,716.00	1.52%	(Note 2)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost－noncurrent	1,000,000	-	-	-	1,000,000.00	-	-
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost－noncurrent	6,000,000	150,000	13.38%	98,813	6,000,000	13.38%	(Note 1)

Note 1: Net equity value was calculated based on the investee's same-period non-audited financial statements.

Note 2: It was eliminated in the consolidation.

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

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

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

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(7) 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	Relation-ship	Details 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	(1,606,938)	(44.20)%	4 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. were not significantly different from those offered to other customers.	Collection terms offered to other customers were 1-3 months; collection term offered to Emerging Display Technologies Co., U.S.A. was 4 months, considering the market conventions in the North America area.	391,411	51.15%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	503,970	26.06%	1-3 months	Tremendous Explore Corp. is the only provider of such type of processing service.	-	(114,292)	(21.91)%	(Note)
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,606,938	99.96%	4 months	The Company is the major supplier of Emerging Display Technologies Co., U.S.A.	The Company is the major supplier of Emerging Display Technologies Co., U.S.A.	(391,411)	(100.00)%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	(503,970)	(100.00)%	1-3 months	The Company is the only entity the subsidiary provides processing service to.	The Company is the only entity the subsidiary provides processing service to.	114,292	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	489,379	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(21,895)	(23.10)%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	(489,379)	(100.00)%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	21,895	100.00%	(Note)

Note: It was eliminated in the consolidation.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(8) Receivables from related parties in excess of $100 million or 20% of issued share capital as of December 31, 2013 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	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Accounts receivable of $391,411	4.18	-	-	235,312	-	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Accounts receivable of $114,292	3.70	-	-	89,378	-	(Note)

Note: It was eliminated in the consolidation.

(9) Engagement in derivative financial instruments for 2013: See Notes 6(b).

(10) 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 Accounts receivable	1,606,938 391,411	Sales prices offered to Emerging Display Technologies Co., U.S.A. were not significantly different from those offered to other customers；Collection terms offered to other customers were 1-3 months，collection term offered to Emerging Display Technologies Co., U.S.A. was 4 months	44.20% 10.71%
0	The Company	Tremendous Explore Corp.	1	processing cost Accounts payable	503,970 114,292	Supplies on its behalf could not be compared to those offered to third-party customers	13.86% 3.13%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses -Commission Other payable	2,719 1,387	Supplies on its behalf could not be compared to those offered to third	0.07% 0.04%
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission Other payable	35,189 1,536	Supplies on its behalf could not be compared to those offered to third	0.97% 0.04%
0	The Company	Emerging Display Technologies Korea Corp.	1	Selling expenses -Commission	4,056	Supplies on its behalf could not be compared to those offered to third	0.11%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission Other payable	8,879 1,123	Supplies on its behalf could not be compared to those offered to third	0.24% 0.03%
1	Emerging Display Technologies Co., U.S.A.	The Company	2	Purchases Accounts payable	1,606,938 391,411	Purchase prices were not significantly different from other customers；Payment terms were 4 months. Supplies on its behalf could not be compared to those offered to third-party customers	44.20% 10.71%
1	Emerging Display Technologies Co., U.S.A.	The Company	2	Commission income Other receivables	2,719 1,387	Supplies on its behalf could not be compared to those offered to third	0.07% 0.04%
2	EDT-Europe ApS	The Company	2	Commission income Other receivables	35,189 1,536	Supplies on its behalf could not be compared to those offered to third	0.97% 0.04%
3	Emerging Display Technologies Korea Co.,Ltd	The Company	2	Commission income	4,056	Supplies on its behalf could not be compared to those offered to third	0.11%

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subjects	Amount	Term of trading	% of total consolidated revenue or total asset
4	EDT-Japan Corp.	The Company	2	Commission income Other receivables	8,879 1,123	Supplies on its behalf could not be compared to those offered to third	0.24% 0.03%
5	Tremendous Explore Corp.	The Company	2	Processing revenue Accounts receivable	503,970 114,292	No non-related-party transaction to compare to.	13.86% 3.13%
5	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	2	Outsourcing cost Accounts payable	489,379 21,895	No non-related-party transaction to compare to.	13.46% 0.60%
5	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchasing materials on behalf of subsidiary	329,848	No non-related-party transaction to compare to.	12.12%
6	Dong Guan Emerging Display Limited	Tremendous Explore Corp.	3	Processing revenue Accounts receivable	489,379 21,895	No non-related-party transaction to compare to.	13.46% 0.60%
6	Dong Guan Emerging Display Limited	Tremendous Explore Corp.	3	Entrusting Tremendous Explore Corp. to purcha se materials	329,848	No non-related-party transaction to compare to.	12.12%

(Continued)

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 investor	Name of investee	Location	Business scope	Original cost of investment		Original cost of investment			Net income (loss) of the investee	Investment income (less) recognized	Highest shareholding during the year		Remarks (Note 2)
				December 31, 2013	December 31, 2012	Shares owned	Percentage owned	Carrying value			Units (shares)	Ratio	
The Company	Emerging Display Technologies Co., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	57,204 (Note1)	4,687	4,924	3,500,000	100.00%	Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	98,492	(20,050)	(15,567)	5,984,071	78.49%	Subsidiary
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	1,485	1,795	1,795	125,000	100.00%	Subsidiary
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	3,326	2,177	2,177	50,000	100.00%	Subsidiary
The Company	EDT-Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,190	32	32	58,212,500	100.00%	Subsidiary
The Company	EDT-Japan	Japan	Trading	17,401	11,397	5,000	100.00%	7,519	(5,555)	(5,555)	5,000	100.00%	Subsidiary
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,811	3,188	3,188	8,900,000	100.00%	Subsidiary
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	27,463	(1,329)	(1,329)	8,900,000	100.00%	Subsidiary
The Company	Ying cheng Investment Corp.	Taiwan	Investment	84,000	-	8,400,000	52.50%	83,950	(95)	(50)	8,400,000	52.50%	Subsidiary
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	7,466	(20,050)	-	450,000	5.90%	Subsidiary
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	14,438	(20,050)	-	870,000	11.41%	Subsidiary

(Note 1)It was deducted unrealized profit from sales $17,331.

(Note 2) It was eliminated in the consolidation.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investments in Mainland China:

(1) 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 businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January 1, 2013	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December 31, 2013	Net income of investee	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of December 31, 2013	Highest shareholding ration during the year	Accumulated investment income repatriated to Taiwan as of December 31, 2013
					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)	(20,415)	95.80% (Note 2)	(19,386) Based on the investee's financial statements audited by the same auditor as the Company (Note 3)	112,652 (Note 4)	95.80%	-

(Continued)

(2) Upper limit on investment in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2013	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
225,814 (US$6,934,668) (Note 5)	415,831 (US$13,951,732) (Note 6)	1,186,186 (Note 7)

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

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

Note 3: The amount includes a loss of $1,204 which was recognized by Ying Dar Investment Development Corp. and a loss of $2,329 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes $6,938 which was invested by Ying Dar Investment Development Corp. and $13,417 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 $34,565 for Ying Dar Investment Development Corp. and $28,393 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2013.

(3) 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" and "Significant inter-company transactions".

(14) Segment Information

(a) General information

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

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

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

Reportable segment information is as follows:

	2013					
	Domestic	**North America**	**Mainland China**	**Other operating department**	**Adjustments and eliminations**	**Total**
Revenue						
Sales to customers other than consolidated entities	$ 1,906,410	1,728,870	-	319	-	3,635,599
Sales among consolidated entities	1,601,220	2,719	993,348	48,125	(2,645,412)	-
Interest revenue	2,566	71	408	1	-	3,046
Total revenue	**$ 3,510,196**	**1,731,660**	**993,756**	**48,445**	**(2,645,412)**	**3,638,645**
Interest expenses	**$ 19,220**	**-**	**-**	**2**	**-**	**19,222**
Depreciation and amortization	**$ 207,960**	**969**	**19,855**	**186**	**(526)**	**228,444**
Segment income	**$ 56,328**	**5,653**	**(12,047)**	**(3,050)**	**14,263**	**61,147**
Segment assets	**$ 3,523,810**	**485,557**	**245,220**	**16,269**	**(589,677)**	**3,681,179**
Segment liabilities	**$ 1,725,806**	**411,259**	**124,304**	**6,074**	**(539,581)**	**1,727,862**

	2012					
	Domestic	**North America**	**Mainland China**	**Other operating department abroad**	**Adjustments and eliminations**	**Total**
Revenue						
Sales to customers other than consolidated entities	$ 1,916,560	1,818,648	-	586	-	3,735,794
Sales among consolidated entities	1,728,735	1,040	599,990	46,116	(2,375,881)	-
Interest revenue	2,112	79	940	-	-	3,131
Total revenue	**$ 3,647,407**	**1,819,767**	**600,930**	**46,702**	**(2,375,881)**	**3,738,925**
Interest expenses	**$ 24,878**	**-**	**-**	**-**	**-**	**24,878**
Depreciation and amortization	**$ 235,268**	**1,075**	**22,929**	**458**	**(720)**	**259,010**
Segment income	**$ (92,380)**	**3,927**	**(6,233)**	**(1,438)**	**8,543**	**(87,581)**
Segment assets	**$ 3,328,148**	**453,387**	**326,750**	**17,224**	**(634,535)**	**3,490,974**
Segment liabilities	**$ 1,665,053**	**385,581**	**194,572**	**8,146**	**(585,271)**	**1,668,081**

The following is the explanation of material reconciliation item:

For the years ended December 31, 2013 and 2012, the operating segments revenue eliminated from the consolidated entities were $2,645,412 and 2,375,881, respectively.

(c) Products and services information

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

Production		2013	2012
Liquid crystal display modules	$	2,527,475	2,977,501
Capacitive touch panel and capacitive touch panel Module		1,048,829	697,519
Liquid crystal display panel		318	412
Color filter		-	17,092
Other		58,977	43,270
	$	**3,635,599**	**3,735,794**

(d) Geographic information

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

Geographic Area		2013	2012
Mainland China	$	1,661,622	1,947,961
Europe		789,816	748,963
USA		558,257	362,174
Japan		180,805	313,301
Taiwan		306,743	255,600
Korea		23,615	21,786
Other		114,741	86,009
	$	**3,635,599**	**3,735,794**

Non-current assets, classified by location of assets, were as follows:

Geographic Area		2013	2012
Taiwan	$	662,156	817,710
Mainland China		38,947	56,077
USA		61,074	60,348
Europe		306	400
Japan		128	189
	$	**762,611**	**934,724**

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

(d) Major customers' information

		2013	2012
A from location USA	**$**	**771,703**	**749,118**
B from location Taiwan	**$**	**381,925**	**148,607**

(15) First-Time Adoption of IFRSs

For all periods up to and including the year ended December 31, 2012, the Group prepared its consolidated financial statements in accordance with the accounting principles generally accepted in the R.O.C. (R.O.C. GAAP) as described in Note 4(a). The consolidated financial statements for the year 2013 are prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The accounting principle described in Note 4 has been effective for preparing the comparative consolidated financial statements for the year ended December 31, 2012, the consolidated balance sheet as at December 31, 2012, and the first financial statements prepared under IFRSs as at January 1, 2012(the date of transition to IFRSs).

The consolidated financial statements for 2012 were prepared in accordance with R.O.C. GAAP with footnotes to disclose the reconciliations of financial position, financial performance, and cash flows of the consolidated financial statements under IFRSs and the Regulations. The following describe the reconciliation of the balance sheets as at January 1, 2012 (the date of transition to IFRSs) and December 31, 2012, and the statement of comprehensive income for the year ended December 31, 2012.

(a) Reconciliation of the consolidated balance sheet items

		2012.12.31			2012.1.1		
		ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Assets							
Current assets							
Cash and cash equivalents	$	464,656	-	464,656	555,772	-	555,772
Financial assets at fair value through profit or loss		10,025	-	10,025	-	-	-
Available-for-sale financial assets－current		412,570	-	412,570	345,733	-	345,733
Bond investments without active market-current		71,367	-	71,367	155,061	-	155,061
Accounts receivables, net		533,800	-	533,800	513,064	-	513,064
Other receivables		18,657	-	18,657	44,552	-	44,552
Current tax assets		525	-	525	507	-	507
Inventories		863,111	628	863,739	983,147	-	983,147
Deferred tax assets		29,190	(29,190)	-	30,470	(30,470)	-
Other current assets		15,830	-	15,830	36,698	-	36,698
Total current assets		2,419,731	(28,562)	2,391,169	2,665,004	(30,470)	2,634,534
Financial assets carried at cost-noncurrent		35,000	-	35,000	35,000	-	35,000
Property, plant and equipment		892,885	(16,724)	876,161	1,070,626	16,277	1,086,903
Investment Property		-	18,489	18,489	-	18,850	18,850
Intangible assets		3,541	-	3,541	3,621	-	3,621
Deferred tax assets		89,426	29,922	119,348	106,140	34,788	140,928
Prepayments for business facilities		-	36,534	36,534	-	5,623	5,623
Property held for lease		18,489	(18,489)	-	18,850	(18,850)	-
Deferred charges		19,810	(19,810)	-	21,900	(21,900)	-
Other non-current financial assets		10,732	-	10,732	6,845	-	6,845
Total noncurrent assets		1,069,883	29,922	1,099,805	1,262,982	34,788	1,297,770
Total assets	$	**3,489,614**	**1,360**	**3,490,974**	**3,927,986**	**4,318**	**3,932,304**
Liabilities							
Current liabilities:							
Short-term loans	$	12,406	-	12,406	27,193	-	27,193
Financial liabilities at fair value through profit or loss		2,225	-	2,225	10,141	-	10,141
Notes payable		1,145	-	1,145	2,287	-	2,287
Accounts payable		475,075	-	475,075	448,214	-	448,214
Other payables		209,389	23,085	232,474	169,435	21,219	190,654
Current tax liabilities		826	-	826	877	-	877
Bonds payable, current portion		65,356	-	65,356	290,496	-	290,496
Long-term borrowings, current portion		780,000	-	780,000	120,000	-	120,000
Other current liabilities		10,936	-	10,936	13,386	-	13,386
Total current liabilities		1,557,358	23,085	1,580,443	1,082,029	21,219	1,103,248

(Continued)

	2012.12.31			2012.1.1		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Long-term loans	-	-	-	780,000	-	780,000
Deferred tax liabilities	-	81	81	-	553	553
Accrued pension liabilities	24,983	62,128	87,111	26,817	37,403	64,220
Other non-current liabilities, others	446	-	446	584	-	584
Total noncurrent liabilities	25,429	62,209	87,638	807,401	37,956	845,357
Total liabilities	1,582,787	85,294	1,668,081	1,889,430	59,175	1,948,605
Capital stock	2,261,076	-	2,261,076	2,261,076	-	2,261,076
Capital surplus	6,294	-	6,294	6,294	-	6,294
Accumulated deficit	(233,137)	(40,556)	(273,693)	(123,663)	(11,352)	(135,015)
Other equity	(22,877)	(31,488)	(54,365)	(1,090)	(31,615)	(32,705)
Treasury shares	(110,392)	(11,890)	(122,282)	(110,392)	(11,890)	(122,282)
Non-controlling equity	5,863	-	5,863	6,331	-	6,331
Total equity	1,906,827	(83,934)	1,822,893	2,038,556	(54,857)	1,983,699
Total liabilities and equity	**$ 3,489,614**	**1,360**	**3,490,974**	**3,927,986**	**4,318**	**3,932,304**

(b) Reconciliation of the consolidated statement of comprehensive income

	2012		
	ROC GAAP	Differences	IFRSs
Operating revenue	$ 3,735,794	-	3,735,794
Operating Cost	(3,365,966)	(331)	(3,366,297)
Gross profit	369,828	(331)	369,497
Operating expenses			
Selling expenses	(182,248)	(139)	(182,387)
General and administrative expenses	(157,663)	1,830	(155,833)
Research and development expenses	(87,484)	(92)	(87,576)
Total operating expenses	(427,395)	1,599	(425,796)
Net other income	1,094	-	1,094
Operating loss	(56,473)	1,268	(55,205)
Non-operating income and expenses:			
Other income	7,015	370	7,385
Other gains and losses	(14,883)	-	(14,883)
Finance costs	(22,884)	(1,994)	(24,878)
Profit (loss) before tax	(87,225)	(356)	(87,581)
Income tax expense	(22,559)	(3,074)	(25,633)
Profit (loss)	(109,784)	(3,430)	(113,214)
Other comprehensive income:			
Exchange differences on translation	-	(7,625)	(7,625)
Unrealized gain(loss) on available-for-sale financial assets	-	(14,193)	(14,193)
Actuarial gains (losses) on defined benefit plans	-	(25,774)	(25,774)
Other comprehensive income (loss)	-	(47,592)	(47,592)
Comprehensive income (loss)	**$ (109,784)**	**(51,022)**	**(160,806)**

	2012		
	ROC GAAP	Differences	IFRSs
Profit (loss), attributable to			
Owners of parent	$ (109,474)	(3,430)	(112,904)
Non-controlling interests	(310)	-	(310)
Profit (loss)	**$ (109,784)**	**(3,430)**	**(113,214)**
Comprehensive income (loss) attributable to:			
Owners of parent	-	(160,338)	(160,338)
Non-controlling interests	-	(468)	(468)
Comprehensive income	**$ -**	**(160,806)**	**(160,806)**
Basic earnings per share (in New Taiwan dollars)	**$ (0.50)**	**(0.02)**	**(0.52)**
Diluted earnings per share (in New Taiwan dollars)	**$ (0.50)**	**(0.02)**	**(0.52)**

(c) Material adjustments to the consolidated statement of cash flows

The transition from R.O.C. GAAP to IFRSs as of January 1, 2012 and December 31 did not have any material impact on the statement of cash flows.

(d) Explanation to the reconciliation of differences:

1. The cumulative paid vacation expected to be paid in respect of service rendered by the Group's employees should be accrued as liabilities. Thus, the impacts on such changes were summarized as follows:

	2012
Consolidated Statements of Comprehensive Income	
Operating Cost	$ 1,099
Selling expenses	68
General and administrative expenses	62
Research and development expenses	176
Adjustment before income tax	**$ 1,405**
Consolidated Statements of Comprehensive Income	
Exchange differences on translation	**$ 127**

	2012.12.31	2012.1.1
Consolidated Balance Sheets		
Inventories	$ 628	-
Other payables	(23,085)	(21,219)
Other equity	(127)	-
Related impact on income tax	651	3,765
Decrease of retained earnings	**$ (21,933)**	**(17,454)**

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Under the optional exemptions of the IFRS endorsed by FSC, the Group recognized the actuarial gains and losses in other comprehensive income. Under the ROC GAAP, the actuarial gain or loss arising from changes in actuarial assumptions and adjustments based on experiences was amortized over the expected average remaining working lives of the participating employees and recognized in profit or loss. At the transition date on January 1, 2012, where actuarial gains and losses should be recognized immediately as equity and the accrued pension expenses has been decreased in other comprehensive income statement, the impacts on such changes were summarized as follows:

	2012
Consolidated Statements of Comprehensive Income	
Operating Cost	$ (817)
Selling expenses	(43)
General and administrative expenses	(105)
Research and development expenses	(84)
Adjustment before income tax	**$ (1,049)**
Consolidated Statements of Comprehensive Income	
Actuarial gains (losses) on defined benefit plans	**$ 25,774**

	2012.12.31	**2012.1.1**
Consolidated Balance Sheets		
Accrued pension liabilities	$ (62,128)	(37,403)
Decrease of retained earnings	**$ (62,128)**	**(37,403)**

3. Under ROC GAAP, there is no standard of employee loan with preferential rate, but under the IFRS endorsed by FSC, the Group should recognize the related cost of employee loan with preferential rate as employee benefit expenses. Thus, the impacts on such changes were summarized as follows:

	2012
Consolidated Statements of Comprehensive Income	
Cost of goods sold	$ 49
Selling expenses	114
General and administrative expenses	207
Research and development expenses	-
Other income	(370)
Adjustment before income tax	**$ -**

4. Other reclassifications

Due to the difference between the ROC GAAP and the IFRS endorsed by FSC, the Group reclassified prepayment for equipments (recognized in property, plant and equipments) to prepayments for business facilities; deferred expenses to property, plant and equipments, and property held for lease to investment property. Thus, the impacts on such changes were summarized as follows:

	2012.12.31	**2012.1.1**
Consolidated Balance Sheets		
Property, plant and equipments	$ (16,724)	16,277
Prepayments for business facilities	36,534	5,623
Deferred expenses	(19,810)	(21,900)
Investment property	18,489	18,850
Property held for lease	(18,489)	(18,850)
Change of retained earnings	**$ -**	**-**

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Besides, under IFRSs, based on the nature of operating transactions , for the year ended December 31, 2012, the amount reclassified from non-operating income-other income to other operating income and expenses was $1,094, the amount of participation fee in syndicated lending reclassified from general and administrative expenses to non-operating finance costs was $1,994.

5. As of the IFRS 1 endorsed by FSC, the Group elected to deem the cumulative translation differences on all foreign operations translated to the dollars as zero at the date of transition to IFRSs. Thus, the impacts on such changes were summarized as follows:

	2012.12.31	2012.1.1
Consolidated balance sheet		
Other equity	$ 31,615	31,615
Increase of retained earnings	**$ 31,615**	**31,615**

6. Under the optional exemptions of the IFRS endorsed by FSC, shares that are acquired by the Company's subsidiaries before December 31, 2002 are seen as identical to treasury stock transactions. Thus, the impacts on such changes were summarized as follows:

	2012.12.31	2012.1.1
Consolidated balance sheet		
Treasury shares	$ 11,890	11,890
Increase of retained earnings	**$ 11,890**	**11,890**

7. Under ROC GAAP, the amounts on changes in foreign exchange loss due to the translation of foreign currency financial statement and unrealized loss on available –for-sale financial assets recognized directly in stockholders' equity were $7,752 and $14,193, respectively, in 2012, while under IFRSs endorsed by FSC, the loss should be recognized in other comprehensive income in the consolidated statements of comprehensive income.

8. Increase of deferred tax assets from the aforementioned adjustments calculated by different tax rate of each subsidiary of the Group is summarized as follows:

	2012.12.31	2012.1.1
Employee benefit－compensated absences	$ 651	3,765
Increase of deferred tax assets	**$ 651**	**3,765**

The income tax expense in the consolidated statements of comprehensive income for the year 2012 increased by $3,074.

Under IFRSs, deferred income tax assets or liabilities are classified as non-current in accordance with the classification of their related assets or liabilities, and only if the Group has a legally enforceable right to set off the current tax assets against the current tax liabilities and meets other related requirements, may the Group offset the deferred tax assets and deferred tax liabilities. Due to the offset rule as discussed above, non-current deferred tax assets and non-current deferred tax liabilities as of December 31, 2012 and January 1, 2012 increased by $81 and $553, respectively. As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were $29,190 and $30,470, respectively.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Impacts on accumulated deficit from the above transactions were as follows:

	2012.12.31	2012.1.1
Employee benefit－compensated absences	$ (21,933)	(17,454)
Employee benefit－pension	(62,128)	(37,403)
Reclassify of other equity	31,615	31,615
Treasury shares	11,890	11,890
Increase of accumulated deficit	**$ (40,556)**	**(11,352)**