

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND
SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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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, 2014 and 2013, 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 \$8,920 thousand and \$6,669 thousand, representing 0.25% and 0.18% of the Company's consolidated total assets as of December 31, 2014 and 2013, respectively, and which reflect the net sales of \$278 thousand and \$285 thousand, representing 0.01% and 0.01% of the Company's consolidated net sales for 2014 and 2013, 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, 2014 and 2013 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 standalone balance sheets of Emerging Display Technologies Corp. as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013, on which we have issued modified unqualified audit report.

KPMG

CPA: David Chen and Vincent Hsu

Kaohsiung, Taiwan, R.O.C.

March 6, 2015

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, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

ASSETS	2014.12.31		2013.12.31		LIABILITIES AND EQUITY	2014.12.31		2013.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS :					CURRENT LIABILITIES :				
Cash and cash equivalent (Note 6(a))	\$ 767,063	22	746,429	21	Short-term loans (Notes 6(l) and 8)	\$ 30,631	1	191,490	5
Financial assets at fair value through profit or loss (Note 6(b))	61,642	2	71,671	2	Financial liabilities at fair value through profit or loss (Notes 6(b) and (n))	-	-	9,165	-
Available-for-sale financial assets—current (Note 6(c))	490,603	14	200,670	5	Notes payable	3,823	-	1,754	-
Bond investments without active market-current (Notes 6(d) and 8)	1,005	-	10,330	-	Accounts payable	400,258	11	519,887	15
Accounts receivable, net (Note 6(f))	432,224	12	628,054	17	Other payables (Note 6(p))	230,574	7	213,936	6
Other receivables (Note 6(f))	15,984	-	29,794	1	Current tax liabilities (Note 6(q))	2,960	-	1,134	-
Current tax assets	1,322	-	1,157	-	Long-term loans, current portion (Note 6(m))	72,800	2	-	-
Inventories (Note 6(g))	840,780	24	890,304	24	Other current liabilities	21,205	1	43,325	1
Other current assets (Note 6(k))	26,106	1	27,253	1	Total current liabilities	762,251	22	980,691	27
Total current assets	2,636,729	75	2,605,662	71	NONCURRENT LIABILITIES :				
NONCURRENT ASSETS :					Long-term loans (Notes 6(m) and 8)	564,200	16	660,000	18
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	5	185,000	5	Deferred tax liabilities (Note 6(q))	3,315	-	1,326	-
Property, plant and equipment (Notes 6(h) and 8)	613,560	17	740,953	20	Accrued pension liabilities (Note 6(p))	87,162	2	85,536	2
Investment Property (Notes 6(i) and 8)	17,768	1	18,129	1	Other non-current liabilities, others	171	-	309	-
Intangible assets (Note 6(j))	2,957	-	3,131	-	Total noncurrent liabilities	654,848	18	747,171	20
Deferred tax assets (Note 6(q))	82,773	2	116,979	3	Total liabilities	1,417,099	40	1,727,862	47
Prepayments on purchase of equipment	854	-	398	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note (r)) :				
Other non-current financial assets (Notes 6(d) and 6(f))	10,051	-	10,927	-	Capital stock	2,261,076	64	2,261,076	61
Total noncurrent assets	912,963	25	1,075,517	29	Capital surplus	6,294	-	6,294	-
					Accumulated deficit	(56,128)	(2)	(223,624)	(6)
					Other equity interest	(36,892)	(1)	(49,417)	(1)
					Treasury shares	(122,282)	(3)	(122,282)	(3)
					Total equity attributable to shareholders of parent	2,052,068	58	1,872,047	51
					Non-controlling interests	80,525	2	81,270	2
					Total equity	2,132,593	60	1,953,317	53
TOTAL	\$ 3,549,692	100	3,681,179	100	TOTAL	\$ 3,549,692	100	3,681,179	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, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

	2014		2013	
	Amount	%	Amount	%
Operating revenue (Note 6(t))	\$ 3,919,890	100	3,635,599	100
Operating cost (Note 6(p))	3,352,174	85	3,177,366	87
Gross profit	567,716	15	458,233	13
Operating expenses (Note 6(p)):				
Selling expenses	227,503	6	196,706	6
General and administrative expenses	141,804	4	143,000	4
Research and development expenses	85,101	2	89,196	2
	454,408	12	428,902	12
Net other income (Note 6(u))	1,094	-	1,131	-
Operating profit	114,402	3	30,462	1
Non-operating income and expenses (Note 6(v)):				
Other income	18,753	-	10,758	-
Other gains and losses, net	99,572	3	39,149	1
Finance costs, net	(19,572)	-	(19,222)	(1)
	98,753	3	30,685	-
Profit before tax	213,155	6	61,147	1
Total tax expense (Note 6(q))	43,162	1	11,340	-
Net profit	169,993	5	49,807	1
Other comprehensive income				
Foreign currency translation difference	8,448	-	7,621	-
Unrealized gain (loss) on available-for-sale financial assets (Note 6(w))	4,220	-	(2,379)	-
Actuarial gains (losses) on defined benefit plans (Note 6(p))	(3,385)	-	(625)	-
Less : Income tax relating to components of other comprehensive income	-	-	-	-
Other comprehensive income, net	9,283	-	4,617	-
Comprehensive income	\$ 179,276	5	54,424	1
Profit (loss) attributable to				
Shareholders of parent	\$ 170,881	5	50,694	1
Non-controlling interests	(888)	-	(887)	-
	\$ 169,993	5	49,807	1
Comprehensive income (loss) attributable to:				
Shareholders of parent	\$ 180,021	5	55,017	1
Non-controlling interests	(745)	-	(593)	-
	\$ 179,276	5	54,424	1
Earnings per share (Note 6(s))(expressed in New Taiwan dollars)				
Basic earnings per share	\$ 0.79		0.23	
Diluted earnings per share	\$ 0.79		0.23	

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, 2014 and 2013
(expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of parent								
	Common stock	Capital surplus	Accumulated deficit	Other equity interest		Treasury stock	Total equity attributable to Shareholders of parent	Non-controlling interests	Total Equity
				Foreign currency translation differences	Unrealized gain(loss) on available-for-sale financial assets				
Balance as of January 1, 2013	\$ 2,261,076	6,294	(273,693)	(7,467)	(46,898)	(122,282)	1,817,030	5,863	1,822,893
Net profit in 2013	-	-	50,694	-	-	-	50,694	(887)	49,807
Other comprehensive income in 2013	-	-	(625)	7,327	(2,379)	-	4,323	294	4,617
Comprehensive income in 2013	-	-	50,069	7,327	(2,379)	-	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)	(122,282)	1,872,047	81,270	1,953,317
Net profit in 2014	-	-	170,881	-	-	-	170,881	(888)	169,993
Other comprehensive income in 2014	-	-	(3,385)	8,273	4,252	-	9,140	143	9,283
Comprehensive income in 2014	-	-	167,496	8,273	4,252	-	180,021	(745)	179,276
Balance as of December 31, 2014	\$ 2,261,076	6,294	(56,128)	8,133	(45,025)	(122,282)	2,052,068	80,525	2,132,593

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows For the years ended December 31, 2014 and 2013 (expressed in thousands of New Taiwan dollars)

	2014	2013
Cash flows from operating activities:		
Profit before tax	\$ 213,155	61,147
Adjustments :		
Income and expenses having no effect on cash flows:		
Depreciation expense	191,419	227,290
Amortization expense	946	913
Provision for bad debt expense	19,641	763
Net gain on financial assets or liabilities at fair value through profit or loss	(3,722)	(3,666)
Interest expense	19,572	19,222
Interest income	(7,355)	(3,046)
Dividend income	(8,637)	(5,825)
Gain on disposal of property, plant and equipment	(1,505)	(157)
Gain on disposal of investments	(35,707)	(4,521)
Unrealized foreign exchange loss (gain)	(23,716)	(8,144)
Loss (gain) on bond redemption	-	2,009
Total adjustments to reconcile profit (loss)	150,936	224,838
Changes in operating assets and liabilities		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	11,896	(1,896)
Accounts receivable	196,121	(86,319)
Other receivable	13,798	(11,328)
Inventories	59,669	(25,136)
Other current assets	(886)	(13,242)
Total net changes in operating assets	280,598	(137,921)
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(9,872)	9,436
Notes payable	2,069	609
Accounts payable	(131,243)	52,594
Other payables	11,228	(20,438)
Other current liabilities	(21,549)	38,676
Accrued pension liabilities	(1,759)	(2,200)
Other non-current liabilities	(137)	(137)
Total net changes in operating liabilities	(151,263)	78,540
Total adjustments	280,271	165,457
Cash generated from operating activities	493,426	226,604
Interest received	7,394	2,649
Dividends received	8,637	5,825
Interest paid	(17,215)	(16,512)
Income taxes paid	(5,296)	(12,750)
Net cash flows from operating activities	486,946	205,816
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	2,408	(58,619)
Acquisition of available-for-sale financial assets	(718,798)	(94,987)
Proceeds from disposal of available-for-sale financial assets	468,947	309,069
Decrease in bond investments without active market	9,325	61,037
Acquisition of financial assets at cost	-	(150,000)
Acquisition of property, plant and equipment	(48,663)	(64,679)
Proceeds from disposal of property, plant and equipment	1,629	1,446
Acquisition of intangible assets	(769)	(493)
Decrease (increase) in other financial assets	1,004	(12)
Increase in prepayments on purchase of equipment	(8,474)	(536)
Net cash flows from (used in) investing activities	(293,391)	2,226
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(160,859)	179,093
Repayments of bonds	-	(68,309)
Repayments of long-term loans	(23,000)	(120,000)
Increase in non-controlling interests	-	76,000
Net cash provided by (used in) financing activities	(183,859)	66,784
Effects of changes in foreign exchange rates	10,938	6,947
Net increase in cash and cash equivalents	20,634	281,773
Cash and cash equivalents at beginning of year	746,429	464,656
Cash and cash equivalents at end of year	\$ 767,063	746,429

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

For the years ended December 31, 2014 and 2013

(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. The Consolidated financial statements of Emerging Display Technologies Corp. as of and for the years ended December 31, 2014 and 2013 comprise Emerging Display Technologies Corp. and its subsidiaries (the Group). The Group is engaged in the manufacture and sale of Capacity Touch Panel and liquid crystal displays (LCDs).

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on March 6, 2015.

(3) New Standards and Interpretations

- (a) The impact of the 2013 International Financial Reporting Standards (“IFRSs”) issued and endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) but not yet in effect.

In accordance with Rule No. 1030010325 issued by the Financial Supervisory Commission (“FSC”) on April 3, 2014, companies listed for trading on the stock exchange or over-the-counter market or for registration as emerging stock should adopt the 2013 IFRSs (excluding IFRS 9 Financial Instruments) endorsed by the FSC beginning in 2015. The new standards, amendments and interpretations which were announced by the International Accounting Standard Board (“IASB”) are as follows:

New standards and amendments	Effective date per IASB
Amended IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amended IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amended IFRS 1 “Government Loans”	January 1, 2013
Amended IFRS 7 “Disclosures—Transfers of Financial Assets	July 1, 2011
Amended IFRS 7 “Disclosures—Derecognition of Financial Assets and Financial Liabilities”	January 1, 2013
IFRS 10 “Consolidated Financial Statements”	January 1, 2013 (effective date for investment entity will be January 1, 2014)
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amended to IAS 1 “Presentation of Items of Other Comprehensive Income”	July 1, 2010
Amended IAS 12 “Deferred Tax: Recovery of Underling Assets”	January 1, 2012
Amendment to IAS 19 “Employee Benefits”	January 1, 2013
Amendment to IAS 27 “Separate Financial Statement”	January 1, 2013
Amended IAS 32 “Financial Assets and Liabilities Offsetting”	January 1, 2014

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

New standards and amendments	Effective date per IASB
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2014

After the evaluation, the Group believes that applying the 2013 IFRSs will not cause any significant changes in the consolidated financial statements, except for the following:

1. IAS 1 “Presentation of Financial Statements”

The primary amendment of IAS 1 requires profit or loss and other comprehensive income to be presented together. It also requires entities to group items presented in other comprehensive income based on whether they are potentially reclassified to profit or loss subsequently, as well as all tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items. The Group will follow the amendment of IAS 1 to present its comprehensive income statement.

2. IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 combines all related standards regarding the disclosures of financial reports of subsidiaries, joint ventures, associates, and non-consolidated entities. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. The Group will disclose the information of the consolidated entities and unconsolidated entities as the standard requires.

3. IFRS 13 “Fair Value Measurement ”

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of the measurement of fair value. After assessing the standard, the Group does not expect any significant influence on its financial condition and performance, but will follow IFRS 13 to additionally disclose the information on measurement of fair value.

- (b) The new standards and amendments issued by the IASB but not yet approved by the FSC that may have an impact on the consolidated financial statements of the Group:

New, Revised or Amended Standards and Interpretations	Effective date per IAS
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Account”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS16 and IAS 41 “Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IAS</u>
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

(4) Summary of Significant Accounting Policies

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1. Financial instruments 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, less pension plan assets, unrecognized past service costs and unrecognized actuarial loss, plus unrecognized actuarial gain.

(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.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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.

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

Name of the investor	Name of the Subsidiary	Business Activity	Percentage Ownership		Remarks
			2014.12.31	2013.12.31	
The Company	Emerging Display Technologies Co., U.S.A.	Sale of CTP and LCDs	100%	100%	
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	
The Company	EDT-Europe ApS	Sale of CTP and LCDs	100%	100%	
The Company	Tremendous Explore Corp.	Trading	100%	100%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100%	100%	
The Company	EDT-Japan Corp.	Sale of CTP and LCDs	100%	100%	
The Company	Ying Dar Investment Development Corp.	Investment	100%	100%	
The Company	Bae Haw Investment Development Corp.	Investment	100%	100%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	
Emerging Display International (Samoa) Corp	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100%	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.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements****(f) Cash and cash equivalents**

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

(g) Financial instruments

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.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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.

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

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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.

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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements****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.

Financial liabilities at fair value through profit or loss measured at cost, which are recognized as "financial liabilities carried at cost", include obligations to deliver equity investments that do not have any quoted price borrowed by a short seller.

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.

For derivatives links to investments in equity instruments that do not have any quoted market price in an active market and must be settled by delivery of such unquoted equity instruments; such

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

derivatives that are classified as financial assets are measured at amortized cost, less, impairment loss, and are included in the financial assets measured at cost; and such derivatives that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

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.

(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.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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	2~55 years
Machinery and equipment	2~10 years
Furniture and fixtures	3~7 years
Other equipment	1~10 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.

(k) 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	1~5 years
Others	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.

(l) 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

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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.

(m) Provision

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

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.

(n) 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.

(o) 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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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.

(p) 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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements****(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.

(q) 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.

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.

(r) 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.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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.

(s) 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.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with 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(p), the feasibility of deferred tax assets.

(6) Explanation of Significant Accounts

(a) Cash and cash equivalents

	<u>2014.12.31</u>	<u>2013.12.31</u>
Cash and cash equivalents	\$ 357	257
Demand deposits	437,912	486,028
Check deposits	1,999	2,338
Time deposits	326,795	257,806
Total	<u>\$ 767,063</u>	<u>746,429</u>

Please refer to note 6(x) 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:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Financial assets at fair value through profit or loss:		
Foreign-exchange option	\$ -	12,657
Euro-Convertible Bond	61,642	59,014
Total	<u>\$ 61,642</u>	<u>71,671</u>

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Financial liabilities at fair value through profit or loss	<u>2014.12.31</u>	<u>2013.12.31</u>
Security borrowing payable	\$ -	<u>9,165</u>

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

(c) Available-for-sale financial assets

	<u>2014.12.31</u>	<u>2013.12.31</u>
Listed stocks in Taiwan	\$ 194,811	53,142
Foreign listed stocks	-	53,508
Open-end mutual funds	295,792	94,020
	<u>\$ 490,603</u>	<u>200,670</u>

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:

	<u>2014</u>		<u>2013</u>	
<u>Equity price at reporting date</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>
Increase 3%	\$ 12,216	-	4,997	-
Decrease 3%	\$ (12,216)	-	(4,997)	-

As of December 31, 2014 and 2013, available-for-sale financial assets pledged as collateral for loans are disclosed in note 8.

(d) Bond investment without active market

	<u>2014.12.31</u>	<u>2013.12.31</u>
Time deposits	\$ 1,497	<u>10,788</u>
Current	\$ 1,005	10,330
Non-current (recorded in other non-current financial assets)	492	458
	<u>\$ 1,497</u>	<u>10,788</u>

As of December 31, 2014 and 2013, bond investment without an active market pledged as collateral for loans are disclosed in note 8.

(e) Financial assets at cost

	<u>2014.12.31</u>	<u>2013.12.31</u>
Unlisted stocks	\$ 185,000	<u>185,000</u>

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, 2014 and 2013, financial assets at cost were not pledged as collateral.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(f) Accounts receivable and other receivables

	<u>2014.12.31</u>	<u>2013.12.31</u>
Account receivable	\$ 462,413	638,109
Other receivables-current	28,644	38,735
Other receivables- deposits paid	9,559	10,469
Less: allowance for doubtful accounts	(42,849)	(18,996)
	<u>\$ 457,767</u>	<u>668,317</u>

The aging analysis of unimpaired overdue receivables was as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
1~30 days	\$ 52,488	117,197
31~90 days	14,101	41,278
91~270 days	3,570	16,404
More than 271 days	-	4,058
	<u>\$ 70,159</u>	<u>178,937</u>

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

	<u>Separately assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2014	\$ 17,464	1,532	18,996
Recognition of impairment loss	22,507	872	23,379
Reversal of impairment loss	-	(707)	(707)
The Effects of Changes in Foreign Exchange Rates	1,091	90	1,181
Balance at December 31, 2014	<u>\$ 41,062</u>	<u>1,787</u>	<u>42,849</u>
	<u>Separately assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
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	<u>\$ 17,464</u>	<u>1,532</u>	<u>18,996</u>

(g) Inventories

	<u>2014.12.31</u>	<u>2013.12.31</u>
Raw materials	\$ 172,722	208,966
Work in process	353,141	364,394
Finished goods	311,554	309,557
Inventories in transit	3,363	7,387
Total	<u>\$ 840,780</u>	<u>890,304</u>

For the years ended December 31, 2014 and 2013, the cost of inventories recognized as operating costs and expensed were \$3,311,911 and \$3,142,602, respectively. In 2014 and 2013, the reversal of write-downs amounted to \$8,865 and \$3,161, respectively.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

As of December 31, 2014 and 2013, 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 2014 and 2013 are as follows:

	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Cost or deemed cost:						
Balance at January 1, 2014	\$ 47,442	986,767	2,921,045	40,784	114,995	4,111,033
Additions	-	3,236	7,595	518	47,858	59,207
Reclassification	-	-	23,502	381	(23,883)	-
Disposals	-	-	(63,698)	(4,527)	(1,047)	(69,272)
Effect of movements in exchange rates	2,936	2,830	8,401	626	212	15,005
Balance at December 31, 2014	<u>\$ 50,378</u>	<u>992,833</u>	<u>2,896,845</u>	<u>37,782</u>	<u>138,135</u>	<u>4,115,973</u>
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	<u>\$ 47,442</u>	<u>986,767</u>	<u>2,921,045</u>	<u>40,784</u>	<u>114,995</u>	<u>4,111,033</u>
Depreciation and impairment loss:						
Balance at January 1 2014	\$ -	658,645	2,608,409	37,955	65,071	3,370,080
Depreciation for the year	-	51,783	116,585	1,480	21,210	191,058
Disposals loss	-	-	(63,616)	(4,526)	(1,006)	(69,148)
Effect of movements in exchange rates	-	1,822	7,827	582	192	10,423
Balance at December 31 2014	<u>\$ -</u>	<u>712,250</u>	<u>2,669,205</u>	<u>35,491</u>	<u>85,467</u>	<u>3,502,413</u>
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	<u>\$ -</u>	<u>658,645</u>	<u>2,608,409</u>	<u>37,955</u>	<u>65,071</u>	<u>3,370,080</u>
Carrying amounts:						
Balance at December 31, 2014	<u>\$ 50,378</u>	<u>280,583</u>	<u>227,640</u>	<u>2,291</u>	<u>52,668</u>	<u>613,560</u>
Balance at January 1, 2013	<u>\$ 46,224</u>	<u>392,680</u>	<u>397,755</u>	<u>4,303</u>	<u>35,199</u>	<u>876,161</u>
Balance at December 31, 2013	<u>\$ 47,442</u>	<u>328,122</u>	<u>312,636</u>	<u>2,829</u>	<u>49,924</u>	<u>740,953</u>

As of December 31, 2014 and 2013, 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, 2014	\$ 10,079	21,670	31,749
Balance at December 31, 2014	<u>\$ 10,079</u>	<u>21,670</u>	<u>31,749</u>
Balance at January 1, 2013	\$ 10,079	21,670	31,749
Balance at December 31, 2013	<u>\$ 10,079</u>	<u>21,670</u>	<u>31,749</u>

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Depreciation and impairment loss:			
Balance at January 1, 2014	\$ -	13,620	13,620
Depreciation for the year	-	361	361
Balance at December 31, 2014	<u>\$ -</u>	<u>13,981</u>	<u>13,981</u>
Balance at January 1, 2013	\$ -	13,260	13,260
Depreciation for the year	-	360	360
Balance at December 31, 2013	<u>\$ -</u>	<u>13,620</u>	<u>13,620</u>
Carrying amounts:			
Balance at December 31, 2014	<u>\$ 10,079</u>	<u>7,689</u>	<u>17,768</u>
Balance at January 1, 2013	<u>\$ 10,079</u>	<u>8,410</u>	<u>18,489</u>
Balance at December 31, 2013	<u>\$ 10,079</u>	<u>8,050</u>	<u>18,129</u>
Fair value :			
Balance at December 31, 2014			<u>\$ 26,495</u>
Balance at December 31, 2013			<u>\$ 27,280</u>

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(o) 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, 2014 and 2013, investment property pledged as collateral for short-term, long-term loans and finance are disclosed in note 8.

(j) Intangible assets

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

	<u>Patent and other</u>	<u>Computer software cost</u>	<u>Total amount</u>
Initial cost			
Balance as of January 1, 2014	\$ 5,832	52,327	58,159
Individual acquisition	316	454	770
Effects of changes in foreign exchange rates	-	178	178
Balance as of December 31, 2014	<u>\$ 6,148</u>	<u>52,959</u>	<u>59,107</u>
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	<u>\$ 5,832</u>	<u>52,327</u>	<u>58,159</u>

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>Patent and other</u>	<u>Computer software cost</u>	<u>Total amount</u>
Amortization			
Accumulated balance as of January 1, 2014	\$ 4,017	51,011	55,028
Amortization	237	709	946
Effects of changes in foreign exchange rates	-	176	176
Accumulated balance as of December 31, 2014	<u>\$ 4,254</u>	<u>51,896</u>	<u>56,150</u>
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	<u>\$ 4,017</u>	<u>51,011</u>	<u>55,028</u>
Book value			
Balance as of December 31, 2014	<u>\$ 1,894</u>	<u>1,063</u>	<u>2,957</u>
Balance as of January 1, 2013	<u>\$ 1,870</u>	<u>1,671</u>	<u>3,541</u>
Balance as of December 31, 2013	<u>\$ 1,815</u>	<u>1,316</u>	<u>3,131</u>

For the years 2014 and 2013, the amortization expenses of intangible assets included in statement of comprehensive income were as follows:

	<u>2014</u>	<u>2013</u>
Operating cost	\$ 495	460
Operating expense	451	453
Total	<u>\$ 946</u>	<u>913</u>

(k) Other current assets

The details of other current assets were as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Tax refund receivable	\$ 2,476	2,855
Prepayment for purchases	7,193	10,588
Other prepaid expenses	6,517	4,348
VAT paid	7,296	4,770
Others	2,624	4,692
	<u>\$ 26,106</u>	<u>27,253</u>

(l) Short-term loans

The details of short-term loans were as follows:

<u>Type</u>	<u>2014.12.31</u>	<u>2013.12.31</u>
Letters of credit	\$ 631	11,490
Secured bank loans	180,000	180,000
Total	<u>\$ 30,631</u>	<u>191,490</u>
Unused lines of credit	<u>\$ 1,141,888</u>	<u>849,162</u>
Interest rates applied	<u>1.46%~1.51%</u>	<u>1.33%~2.25%</u>

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

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(m) Long-term loans

The details of long-term loans were as follows:

Type	2014.12.31	2013.12.31
Secured bank loans	\$ 637,000	660,000
Less: current portion	(72,800)	-
Total	<u>\$ 564,200</u>	<u>660,000</u>
Unused lines of credit	<u>\$ 273,000</u>	<u>300,000</u>
Interest rates applied	<u>2.3189%~2.4242%</u>	<u>2.0137%~2.12%</u>

(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 November 2013, the Group signed a 3-year loan contract with E. Sun Bank and six other banks on the purpose of repaying the long-term loans as mentioned above to raise its operating capital. 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. The long-term loans increased by \$660,000 in 2014 and repaid the prior long-term loans.

There were no increases of long-term loans and the repayments of long-term loans amounted to \$120,000 in 2013.

In November 2013, the Company signed contract with a total credit line of \$910,000 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 \$1,700,000 should be maintained starting from 2013.

(n) Convertible bonds payable

	2014.12.31	2013.12.31
Aggregate principal amount	\$ -	300,000
Cumulative redeemed amount	-	(300,000)
Bond discount	-	-
Balance of bonds payable	<u>\$ -</u>	<u>-</u>
	2014	2013
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)	<u>\$ -</u>	<u>(1,982)</u>
Interest expenses	<u>\$ -</u>	<u>944</u>

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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, 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.

For the years ended December 31, 2013, the bondholders exercised a put option, and the Company paid \$68,309, (including compensation interest on bonds) to redeem the convertible bonds with a par value of \$66,300, which resulted in redemption losses of \$2,009 (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.

(o) Operating lease

(i) The Company as lessee

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

	2014.12.31	2013.12.31
Less than one year	\$ 8,799	11,149
Between one and five years	8,851	15,107
	\$ 17,650	26,256

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 \$14,462 and \$13,888 for the years ended December 31, 2014 and 2013, respectively, included in profit or loss.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 note 6 (i). The future minimum lease receivable under non-cancellable leases is as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Less than one year	<u>\$ 158</u>	<u>158</u>

The rental income from investment properties were both \$900 in 2014 and 2013. The investment properties did not have any significant maintenance expense.

(p) Employee benefits

(i) Defined benefit plan

The defined benefit obligation was as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Present value of unfunded benefit obligations	\$ -	-
Present value of funded benefit obligations	177,175	169,841
Present value of defined benefit obligations	177,175	169,841
Fair value of plan assets	(89,657)	(83,920)
Net liabilities of defined benefit obligations	<u>\$ 87,518</u>	<u>85,921</u>

The Group made contributions to a pension fund maintained with Bank of Taiwan. Payments of retirement benefits are based on years of service and the average salary for the six-month period before the employee's retirement.

1. Composition of plan assets

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

The Group's labor pension reserve account balance in Bank of Taiwan amounted to \$89,657 as of December 31, 2014. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

As of December 31, 2014 and 2013, the pension contributions that were not remitted to the Bureau of Labor Funds were recognized as accrued expenses.

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

	<u>2014</u>	<u>2013</u>
Obligation at beginning of year	\$ 169,841	165,663
Current service and interest cost	4,607	3,949
Actuarial loss (gain)	3,627	229
Employee benefit paid	(900)	-
Obligation at end of year	<u>\$ 177,175</u>	<u>169,841</u>

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	<u>2014</u>	<u>2013</u>
Fair value of assets at beginning of year	\$ 83,920	78,182
Expected return on plan assets	1,726	1,410
Contributions made by employer	4,669	4,724
Actuarial gain (loss)	242	(396)
Employee benefit paid	(900)	-
Fair value of assets at end of year	<u>\$ 89,657</u>	<u>83,920</u>

4. Cost recognized in profit or loss

	<u>2014</u>	<u>2013</u>
Current service cost	\$ 1,210	1,050
Interest cost	3,397	2,899
Expected return on plan assets	(1,726)	(1,410)
	<u>\$ 2,881</u>	<u>2,539</u>
Operating cost	\$ 2,267	2,002
Selling expenses	109	98
General and administrative expenses	288	245
Research and development expenses	217	194
	<u>\$ 2,881</u>	<u>2,539</u>
Actual return on assets	<u>\$ 1,968</u>	<u>1,014</u>

5. Actuarial gains and losses recognized in other comprehensive income

The actuarial gains and losses recognized by the Group in other comprehensive income in 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Cumulative amount at January 1	\$ (26,399)	(25,774)
Recognized during the period	(3,385)	(625)
Cumulative amount at December 31	<u>\$ (29,784)</u>	<u>(26,399)</u>

6. Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Discount rate at December 31	2%	2%
Expected return on plan assets	2%	2%
Future salary increases	3%	3%

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.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

7. Experience adjustment based on historical information

	<u>2014.12.31</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit obligation	\$ 177,175	169,841	165,663	136,883
Fair value of plan assets	<u>(89,657)</u>	<u>(83,920)</u>	<u>(78,182)</u>	<u>(72,678)</u>
Net liabilities (assets) of defined benefit obligations	<u>\$ 87,518</u>	<u>85,921</u>	<u>87,481</u>	<u>64,205</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ 3,627</u>	<u>229</u>	<u>25,001</u>	<u>-</u>
Experience adjustments arising on the fair value of the plan assets	<u>\$ (242)</u>	<u>396</u>	<u>773</u>	<u>-</u>

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was \$4,464.

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 2014, the Company's accrued pension liabilities were \$87,162. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by \$7,926 or increased by \$8,369, 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, Emerging Display Korea and EDT-Japan Corp. are based on their respective local regulation of defined contribution plan. The accrued expenses should be recognized as current expenses. Besides, Ying Dar Investment Development Corp., Bae Haw Investment Development Corp., Ying Cheng Investment Corp., Emerging Display International (Samoa) Corp. and Tremendous Explore Corp do not have any employee and pension plan. Therefore, there is no pension benefit obligation required.

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

	<u>2014</u>	<u>2013</u>
Operating Cost	\$ 20,429	19,591
Selling expenses	4,879	4,793
General and administrative expenses	1,718	1,689
Research and development expenses	<u>2,043</u>	<u>2,181</u>
	<u>\$ 29,069</u>	<u>28,254</u>

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(iii) Other employee benefits

1. Compensated absences liability

	<u>2014.12.31</u>	<u>2013.12.31</u>
Recognized as current liability-other payables	\$ <u>24,109</u>	<u>23,122</u>

2. The Group provided its employee interest-free loans amounting to \$368 and \$343 for 2014 and 2013, 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 (benefit) were as follows:

	<u>2014</u>	<u>2013</u>
Current tax expense		
Current period	\$ 7,615	8,371
Adjustment for prior years	(652)	-
	<u>6,963</u>	<u>8,371</u>
Deferred tax expense		
Origination and reversal of temporary differences	36,199	2,969
Income tax expense	<u>\$ 43,162</u>	<u>11,340</u>

No income tax was recognized directly in equity in 2014 and 2013.

No income tax was recognized in other comprehensive income in 2014 and 2013.

Reconciliation of income tax and profit before tax for 2014 and 2013 is as follows.

	<u>2014</u>	<u>2013</u>
Income before income tax	\$ <u>213,155</u>	<u>61,147</u>
Income tax calculated based on the company's tax rate	\$ 36,236	10,395
Effect of tax rates in foreign jurisdiction	7,173	2,150
Income tax already paid abroad	190	337
Tax-exempt income	(5,367)	(1,575)
Tax incentives	-	17,621
Recognition of previously unrecognized tax losses	(1,296)	(19,314)
Current-year losses for which no deferred tax asset was recognized	-	16
Change in unrecognized temporary differences	-	(5,585)
Income Basic Tax	2,731	349
Others	3,495	6,946
	<u>\$ 43,162</u>	<u>11,340</u>

(ii) Deferred Tax Assets and Liabilities

1. Unrecognized Deferred Tax Assets

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

	<u>2014.12.31</u>	<u>2013.12.31</u>
Tax losses	\$ -	820
Unrealized inventory valuation and obsolescence loss	14,966	16,338
Investment tax credits	-	2,030
Others	3,042	2,966
	<u>\$ 18,008</u>	<u>22,154</u>

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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.

2. Recognized Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for 2014 and 2013 were as follows:

Deferred Tax Assets:

	<u>Amount</u>
Balance at January 1, 2014	\$ 116,979
Unrealized loss of inventory valuation	390
Unrealized sales profit from affiliated company	(273)
Tax loss carry-forward	(35,182)
Pension over limited	(299)
Other adjustment of temporary differences	1,158
Balance at December 31 ,2014	<u>\$ 82,773</u>
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	<u>\$ 116,979</u>

Deferred Tax Liabilities:

	<u>Amount</u>
Balance at January 1, 2014	\$ 1,326
Unrealized foreign exchange gain	1,678
Other adjustment of temporary differences	311
Balance at December 31 ,2014	<u>\$ 3,315</u>
Balance at January 1, 2013	\$ 81
Allowance for inventory valuation	1,150
Other adjustment of temporary differences	95
Balance at December 31, 2013	<u>\$ 1,326</u>

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(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:

	<u>2014.12.31</u>	<u>2013.12.31</u>
1997 and prior years	\$ -	-
1998 and thereafter	(56,128)	(223,624)
	<u>\$ (56,128)</u>	<u>(223,624)</u>
Balance of imputation credit	<u>\$ 2,294</u>	<u>1,789</u>
	<u>2014 (expected)</u>	<u>2013 (actual)</u>
Tax creditable ratio for earnings distributed to residents in R.O.C.	<u>-</u>	<u>-</u>

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, 2014, and 2013, the authorized share capital of the Company amounted to \$3,500,000, comprising 350,000 thousand shares with a par value of TWD10 per share. Issued shares were 226,108 thousand shares. The weighted-average numbers of shares of common stock outstanding excluded the common stock held by the Company's subsidiaries were 217,313 thousand shares. All the capital were fully paid.

(ii) Capital surplus

As of December 31, 2014 and 2013, capital surplus was as follows:

<u>Item</u>	<u>2014.12.31</u>	<u>2013.12.31</u>
Expired stock option	<u>\$ 6,294</u>	<u>6,294</u>

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 dividend 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.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements**

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, 2012, the Company has an accumulated deficit; therefore, there is no need to distribute any special reserve.

c. Earnings distribution

As of December 31, 2014 and 2013, 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 2013, and 2012, 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 10, 2014, the Company stockholders' meeting decided to use the 2013 net income after tax to make up for the previous years' accumulated deficit with no dividend distribution.

On June 6, 2013, due to the accumulated deficit which occurred in 2012, there is no need to distribute any dividend approved by the Company's stockholders.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(iv) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment
January 1, 2014	\$ (140)	(49,277)
Foreign exchange differences (net of taxes):		
The Group	8,273	-
Unrealized gains and losses from available-for-sale investment:		
The Group	-	4,252
December 31, 2014	<u>\$ 8,133</u>	<u>(45,025)</u>
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	<u>\$ (140)</u>	<u>(49,277)</u>

(v) Treasury stock

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. In 2014 and 2013, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose any of the Company's shares. As of December 31, 2014 and 2013, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of December 31, 2014 and 2013, their market values amounted to \$72,290 and \$50,656, respectively.

(s) Earnings per share

	2014	2013
Basic earnings per share		
Profit(loss) attributable to owners of parent	\$ 170,881	50,694
Weighted-average number of common shares at end of year (expressed in thousands of shares)	<u>217,313</u>	<u>217,313</u>
Expressed in New Taiwan dollars	<u>\$ 0.79</u>	<u>0.23</u>
Diluted earnings per share		
Profit(loss) attributable to owners of parent	\$ 170,881	50,694
Effect of dilutive potential common shares — convertible bonds (note)	-	944
Profit(loss) attributable to owners of parent	<u>\$ 170,881</u>	<u>51,638</u>
Weighted-average number of common shares (expressed in thousands of shares)	<u>217,313</u>	<u>217,313</u>

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2014</u>	<u>2013</u>
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)	<u>217,313</u>	<u>221,509</u>
(Express in thousands of New Taiwan dollars)	\$ <u>0.79</u>	<u>0.23</u>

In computing basic earnings (loss) per share of common stock for the years ended December 31, 2014 and 2013, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Company's subsidiaries as treasury stock.

(t) Revenue

Details of revenue for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Sales of goods	\$ <u>3,919,890</u>	<u>3,625,599</u>

(u) Other operating income and expenses

Other operating income and expenses were rental revenue.

(v) Non-operating income and expenses**(i) Other income**

Details of other income in 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Interest income		
Bank deposits	\$ 6,980	2,703
Other loans and receivables	375	343
Dividend Revenue	8,637	5,825
Others	<u>2,761</u>	<u>1,887</u>
	<u>\$ 18,753</u>	<u>10,758</u>

(ii) Other gains and losses

Details of other gains and losses in 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Foreign exchange gains (losses), net	\$ 55,240	31,302
Net gains on disposal of investments and financial liability		
Net gains on disposal of Available-for-sale financial assets	35,862	4,521
Others	(155)	-
Net gains on disposal of financial assets at fair value through profit or loss	10,169	6,196
Gains on disposal of property, plant and equipment, net	1,505	157

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2014</u>	<u>2013</u>
Losses on redemption of convertible bonds	-	(2,009)
Others	(3,049)	(1,018)
	<u>\$ 99,572</u>	<u>39,149</u>

(iii) Finance costs

Details of finance costs in 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Interest expenses		
Bank loans	\$ 19,572	18,278
Bonds payable	-	944
	<u>\$ 19,572</u>	<u>19,222</u>

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

Details of the Reclassified adjustments of the components in other comprehensive income in 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Available-for-sale financial assets		
Net change in fair value occurred in current year	\$ 40,728	(7,334)
Net change in fair value reclassified to income	(36,508)	4,955
Net change in fair value recognized in other comprehensive income	<u>\$ 4,220</u>	<u>(2,379)</u>

(x) Financial instruments

(i) Categories of financial instruments

1. Financial assets

	<u>2014.12.31</u>	<u>2013.12.31</u>
Financial assets at fair value through profit or loss	\$ 61,642	71,671
Available-for-sale financial assets	490,603	200,670
Financial Assets Carried at Cost	185,000	185,000
Loans and receivables:		
Cash and cash equivalents	767,063	746,429
Bonds investments without active market	1,005	10,330
Accounts receivable	432,224	628,054
Other receivables	15,984	29,794
Other financial assets-noncurrent	10,051	10,927
Total	<u>\$ 1,963,572</u>	<u>1,882,875</u>

2. Financial liabilities

	<u>2014.12.31</u>	<u>2013.12.31</u>
Financial liabilities at fair value through profit or loss	\$ -	9,165
Short-term loans	30,631	191,490
Notes payable	3,823	1,754
Accounts payable	400,258	519,887

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2014.12.31</u>	<u>2013.12.31</u>
Other payables	230,574	213,936
Long-term loans	637,000	660,000
Total	<u>\$ 1,302,286</u>	<u>1,596,232</u>

(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, 2014 and 2013, the Company's maximum exposures to credit risk amounted to \$1,963,171 and \$1,882,618, 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. The Group did not have a significant concentration on certain major customers in 2014. As of December 31, 2013, two customers accounted for 23% 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.

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12 months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 years</u>	<u>Due in over 5 years</u>
December 31, 2014							
Non-derivative financial liabilities							
Secured loans	\$ 637,000	(666,242)	(43,634)	(43,332)	(85,315)	(493,961)	-
Unsecured loans	30,631	(30,670)	(30,670)	-	-	-	-
Accounts payable	400,258	(400,258)	(400,258)	-	-	-	-
Notes payable	3,823	(3,823)	(3,823)	-	-	-	-
Other payable	105,355	(105,355)	(105,355)	-	-	-	-
	<u>\$ 1,177,067</u>	<u>(1,206,348)</u>	<u>(583,740)</u>	<u>(43,332)</u>	<u>(85,315)</u>	<u>(493,961)</u>	<u>-</u>
December 31, 2013							
Non-derivative financial liabilities							
Secured loans	\$ 665,814	(706,201)	(12,870)	(6,815)	(82,774)	(603,742)	-
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)	-	-	-	-
	<u>\$ 1,493,442</u>	<u>(1,534,380)</u>	<u>(841,049)</u>	<u>(6,815)</u>	<u>(82,774)</u>	<u>(603,742)</u>	<u>-</u>

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:

	<u>2014.12.31</u>				<u>2013.12.31</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>		<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>	
<u>Financial assets</u>								
<u>Monetary items</u>								
USD	\$ 34,213	31.65	1,082,837		40,461	29.805	1,205,946	
JPY	118,260	0.2646	31,292		52,900	0.2839	15,039	
CNY	20,681	5.092	105,310		21,778	4.919	107,126	

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2014.12.31			2013.12.31		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Non-monetary items</u>						
USD	8,760	31.65	277,247	1,795	29.805	53,508
<u>Financial liabilities</u>						
<u>Monetary items</u>						
TWD	4,295	1	4,295	6,677	1	6,677
USD	10,973	31.65	347,306	12,539	29.805	373,739
JPY	34,776	0.2646	9,202	47,875	0.2839	13,591

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, 2014 and 2013, the exchange rate of the TWD versus the USD, CNY, and JPY increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$7,173 and \$7,753, 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 0.1% with all other variables held constant. Profit after tax for the years 2014 and 2013 would have been decreased or increased by \$129 and \$851, respectively, mainly as a result of liabilities bearing floating interest rates.

(vi) Fair value

1. Fair value and carrying amount

The Company considers the carrying amounts of its financial assets and liabilities measured at amortized cost to be a reasonable approximation of fair value.

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:

	2014	2013
Long-term loans	2.3189%~2.4242%	2.0137%~2.12%

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.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

- 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, 2014				
Financial assets at fair value through profit or loss-current	\$ 61,642	-	-	61,642
Available-to-sale financial assets-current	490,603	-	-	490,603
	<u>\$ 552,245</u>	<u>-</u>	<u>-</u>	<u>552,245</u>
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
	<u>259,684</u>	<u>12,657</u>	<u>-</u>	<u>272,341</u>
Financial liabilities at fair value through profit or loss-current	(9,165)	-	-	(9,165)
	<u>\$ 250,519</u>	<u>12,657</u>	<u>-</u>	<u>263,176</u>

(y)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.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**Notes to consolidated financial statements****(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, 2014 and 2013, the Group has unused credit facilities for short-term amounting to \$1,414,888 and \$1,149,162, 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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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.

(z) 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:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Total liabilities	\$ 1,417,099	1,727,862
Less: cash and cash equivalents	<u>767,063</u>	<u>746,429</u>
Net debt	<u>\$ 650,036</u>	<u>981,433</u>
Total equity	<u>\$ 2,132,593</u>	<u>1,953,317</u>
Debt-to-equity ratio	30.48%	50.24%

The Group does not have any plan to repurchase treasury stocks. As of December 31, 2014, the Group's capital management strategy is consistent with the prior years.

(aa) 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, 2014 and 2013, were as follows:

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2014.12.31</u>	<u>2013.12.31</u>
Payables on purchasing property, plant, and equipment	<u>\$ 7,461</u>	<u>4,901</u>

(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:

	<u>2014</u>	<u>2013</u>
Short-term employee benefits	\$ 20,148	17,359
Post-employment benefits	565	483
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 20,713</u>	<u>17,842</u>

The Group provided four and three of their own cars and another rental car for their key management personnel to use. The book value of those cars amounted to \$9,360 and \$7,160, respectively, and the rental expense of the other rental car amounted to \$881 and \$923, respectively, in 2014 and 2013.

(8) Pledged Assets

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

<u>Pledged assets</u>	<u>Purpose</u>	<u>2014.12.31</u>	<u>2013.12.31</u>
Bond investments without active market – current – time deposits	Guarantee for customs and government grants and convertible bonds payable	\$ 1,005	830
Property, plant and equipment – buildings	Guarantee for long-term borrowings	259,987	304,937
Property, plant and equipment – machinery and equipment	Guarantee for short-term and long-term borrowings	160,295	204,390
Investment property	Guarantee for short-term borrowings	14,998	15,359
Other financial assets – noncurrent – time deposits	Guarantee for lease contract	493	458
Available-for-sale financial assets – current	Stock loan guarantee	-	14,312
		<u>\$ 436,778</u>	<u>540,286</u>

(9) Commitments and Contingencies

- (a) As of December 31, 2014 and 2013, The Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$24,317 and \$47,199, respectively.
- (b) As of December 31, 2014 and 2013, 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 \$4,382 and \$18,408, respectively.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(c) As of December 31, 2014 and 2013, The Group's acceptance credit for purchases of raw materials, machinery and equipment amounted to \$16,364 and \$20,588, respectively.

(10) Losses Due to Major Disaster: None

(11) Significant Subsequent Event: None

(12) Others

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

	2014			2013		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	448,950	173,963	622,913	421,426	163,907	585,333
Labor and health insurance	41,000	11,448	52,448	38,764	12,379	51,143
Pension expense	22,696	9,254	31,950	21,593	9,200	30,793
Other personnel cost	26,332	5,557	31,889	23,740	5,305	29,045
Depreciation	179,959	11,460	191,419	215,301	11,989	227,290
Amortization	495	451	946	460	453	913

(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, 2014 were as follows:

(a) Information on significant transactions:

(1) Loans extended to other parties: None

(2) Guarantees provided to other parties: None

(3) Securities owned as of December 31, 2014 (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, 2014				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%	-	1,000,000	5.00%	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.23%	-	1,000,000	2.23%	-
The Company	TPK Holding Co., Ltd ECB	-	Financial assets at fair value through profit or loss	2,000,000	61,642	-	61,642	2,000,000	-	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	50,000	2,535	-	2,535	450,000	-	-
The Company	Innolux Corporation stock	-	Available-for-sale financial assets – current	1,147,089	17,665	-	17,665	1,147,089	-	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	480,000	10,200	-	10,200	480,000	-	-
The Company	Hon Hai Precision Co., Ltd. stock	-	Available-for-sale financial assets – current	500,000	43,950	-	43,950	500,000	-	-

(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, 2014				Highest shareholding during the year		Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	Units (shares)	Ratio	
The Company	Cathay Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	700,000	32,865	-	32,865	700,000	-	-
The Company	Coasia Microelectronics Corp.	-	Available-for-sale financial assets – current	386,610	5,007	-	5,007	386,610	-	-
The Company	Radiant Opto-Electronics Corporation stock	-	Available-for-sale financial assets – current	250,000	25,375	-	25,375	250,000	-	-
The Company	UNI-President Enterprises Corp. stock	-	Available-for-sale financial assets – current	371,000	18,624	-	18,624	371,000	-	-
The Company	Taiwan Cement Corp. stock	-	Available-for-sale financial assets – current	300,000	13,020	-	13,020	300,000	-	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx	-	Available-for-sale financial assets – current	2,000,000	18,545	-	18,545	2,000,000	-	-
The Company	Edmond de Rothschild Europe Convertibles	-	Available-for-sale financial assets – current	8,468.12	27,169	-	27,169	8,468.12	-	-
The Company	JPM Global Income A (acc)-USD	-	Available-for-sale financial assets – current	12,640.41	63,444	-	63,444	12,640.41	-	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	67,830.08	63,417	-	63,417	67,830.08	-	-
The Company	MFS Meridian Global High Yield A1 USD	-	Available-for-sale financial assets – current	39,077.77	30,957	-	30,957	39,077.77	-	-
The Company	AB Global High Yield A2 USD	-	Available-for-sale financial assets – current	57,845.26	24,386	-	24,386	57,845.26	-	-
The Company	Black Rock Global Fund-Global Allocation Fund A2 USD	-	Available-for-sale financial assets – current	15,667.84	24,899	-	24,899	15,667.84	-	-
The Company	Franklin Templeton Investment Funds-Templeton Global Bond Fund Class A (acc) USD	-	Available-for-sale financial assets – current	46,357.62	42,975	-	42,975	46,357.62	-	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	11,688	-	11,688	550,000	-	-
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Available-for-sale financial assets – current	100,000	813	-	813	100,000	-	-
Ying Dar Investment Development Corp.	The Company's stock	-	Available-for-sale financial assets – noncurrent	5,346,672	43,950	2.36%	43,950	5,346,672	2.36%	(Note 1)
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	8,075	-	8,075	380,000	-	-

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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, 2014				Highest shareholding during the year		Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	Units (shares)	Ratio	
Bae Haw Investment Development Corp.	The Company's stock	-	Available-for-sale financial assets – noncurrent	3,447,716	28,340	1.52%	28,340	3,447,716	1.52%	(Note1)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	-	-	1,000,000	-	-
Ying Cheng Investment Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	235,000	4,994	-	4,994	235,000	-	-
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: 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	Relationship	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	(1,613,674)	(42.36)%	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.	352,384	60.91%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	519,090	24.93%	1-3 months	Tremendous Explore Corp. is the only provider of such type of processing service.	-	(113,125)	(26.07)%	(Note)
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,613,674	100.00%	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.	(352,384)	(100.00)%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	(519,090)	(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.	113,125	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	514,188	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.	(37,435)	(38.96)%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	(514,188)	(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.	37,435	100.00%	(Note)

Note: It was eliminated in the consolidation.

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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 \$352,384	4.34	-	-	75,220	-	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Accounts receivable of \$113,125	4.57	-	-	25,391	-	(Note)

Note: It was eliminated in the consolidation.

(9) Derivative financial instrument transactions:

The derivative financial instruments are intended to manage the market risk resulting from the fluctuations in the exchange rate in operating activities. As of December 31, 2014, the above derivative financial instruments were settled.

(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	1,613,674 352,384	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	41.17% 9.93%
0	The Company	Tremendous Explore Corp.	1	processing cost Accounts payable	519,090 113,125	Supplies on its behalf could not be compared to those offered to third-party customers	13.24% 3.19%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses -Commission Other payable	2,211 773	Supplies on its behalf could not be compared to those offered to third	0.06% 0.02%
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission Other payable	42,421 3,821	Supplies on its behalf could not be compared to those offered to third	1.08% 0.11%
0	The Company	Emerging Display Technologies Korea Corp.	1	Selling expenses -Commission	4,307	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	15,017 931	Supplies on its behalf could not be compared to those offered to third	0.38% 0.03%
5	Tremendous Explore Corp.	The Company	2	Processing revenue Accounts receivable	514,188 37,435	No non-related-party transaction to compare to.	13.12% 1.05%
5	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	2	Outsourcing cost Accounts payable	458,717	No non-related-party transaction to compare to.	11.70%

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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
				December 31, 2014	December 31, 2013	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%	65,503 (Note1)	4,138	4,912	3,500,000	100.00%	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	85,531	(21,113)	(16,225)	5,984,071	78.49%	Subsidiary (Note 2&3)
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	1,564	145	145	125,000	100.00%	Subsidiary (Note 2&3)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(3,968)	(7,294)	(7,294)	50,000	100.00%	Subsidiary (Note 2&3)
The Company	EDT-Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,041	(181)	(181)	58,212,500	100.00%	Subsidiary (Note 2&3)
The Company	EDT-Japan	Japan	Trading	17,401	11,397	5,000	100.00%	6,407	(652)	(652)	5,000	100.00%	Subsidiary (Note 2&3)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,648	1,404	1,404	8,900,000	100.00%	Subsidiary (Note 2&3)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	24,967	(537)	(537)	8,900,000	100.00%	Subsidiary (Note 2&3)
The Company	Ying cheng Investment Corp.	Taiwan	Investment	84,000	-	8,400,000	52.50%	83,914	(3)	(2)	8,400,000	52.50%	Subsidiary (Note 2&3)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,465	(21,113)	-	450,000	5.90%	Subsidiary (Note 2&3)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	12,503	(21,113)	-	870,000	11.41%	Subsidiary (Note 2&3)

(Note 1) It was deducted unrealized profit from sales \$15,727.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Note 2) It was eliminated in the consolidation.

(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, 2014	Accumulated investment income repatriated to Taiwan as of December 31, 2014
					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)	(21,658)	95.80% (Note 2)	(20,404) Based on the investee's financial statements audited by the same auditor as the Company (Note 3)	95,887 (Note 4)	-

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Upper limit on investment in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2014	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)	441,572 (US\$13,951,732) (Note 6)	1,305,584 (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 \$1,278 which was recognized by Ying Dar Investment Development Corp. and a loss of \$2,471 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$5,905 which was invested by Ying Dar Investment Development Corp. and \$11,420 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 \$42,359 for Ying Dar Investment Development Corp. and \$31,985 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2014.

(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.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Reportable segment information is as follows:

	2014					Total
	Domestic	North America	Mainland China	Other operating department	Adjustments and eliminations	
Revenue						
Sales to customers other than consolidated entities	\$ 2,196,267	1,723,275	-	348	-	3,919,890
Sales among consolidated entities	1,613,674	2,211	1,033,278	61,745	(2,710,908)	-
Interest revenue	6,930	32	392	1	-	7,355
Total revenue	\$ 3,816,871	1,725,518	1,033,670	62,094	(2,710,908)	3,927,245
Interest expenses	\$ 19,572	-	-	-	-	19,572
Depreciation and amortization	\$ 175,540	826	15,926	419	(345)	192,366
Segment income	\$ 233,028	4,636	(25,032)	(597)	1,120	213,155
Segment assets	\$ 3,450,176	451,073	215,594	17,316	(584,467)	3,549,692
Segment liabilities	\$ 1,418,450	367,854	119,471	8,304	(496,980)	1,417,099
	2013					Total
	Domestic	North America	Mainland China	Other operating department abroad	Adjustments and eliminations	
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

The following is the explanation of material reconciliation item:

For the years ended December 31, 2014 and 2013, the operating segments revenue eliminated from the consolidated entities were \$2,710,908 and 2,645,412, respectively.

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EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Products and services information

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

Production	2014	2013
Liquid crystal display modules	\$ 2,557,916	2,527,475
Capacitive touch panel and capacitive touch panel Module	1,276,786	1,048,829
Liquid crystal display panel	440	318
Other	84,748	58,977
	\$ 3,919,890	3,635,599

(d) Geographic information

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

Geographic Area	2014	2013
Mainland China	\$ 1,645,331	1,661,622
Europe	956,994	789,816
USA	700,047	558,257
Japan	184,512	180,805
Taiwan	312,308	306,743
Korea	33,702	23,615
Other	86,996	114,741
	\$ 3,919,890	3,635,599

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

Geographic Area	2014	2013
Taiwan	\$ 544,118	662,156
Mainland China	25,724	38,947
USA	64,163	61,074
Europe	1,039	306
Japan	95	128
	\$ 635,139	762,611

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

	2014	2013
A from location USA	\$ <u>272,653</u>	<u>771,703</u>
B from location Taiwan	\$ <u>276,553</u>	<u>381,925</u>