

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND  
SUBSIDIARIES**

**Consolidated Financial Statements  
For the six months ended 30, 2017 and 2016  
(With Independent Auditors' Review Report Thereon)**

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## Independent Auditors' Review Report

The Board of Director's  
Emerging Display Technologies Corp.

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

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

The above subsidiaries' quarterly financial statements of the Company included EDT-Europe ApS, Emerging Display Technologies Korea, EDT-Japan Corp., Emerging Display international (Samoa) Corp., Tremendous Explore Corp., Ying Dar Investment Development Corp., Bae Haw Investment Development Corp. and Ying Cheng Investment Corp. which were based on these investees' un-reviewed financial statements for the same reporting periods. Total assets of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$288,549 thousand and \$272,038 thousand, representing 8.23% and 7.50% of the Company's consolidated total assets as of June 30, 2017 and 2016. Total liabilities of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$94,353 thousand and \$73,313 thousand, representing 5.73% and 4.47% of the Company's consolidated total liabilities as of June 30, 2017 and 2016. The comprehensive income and loss of these subsidiaries (after eliminating after-tax effects resulting from internal transactions between affiliated companies) were income \$12,610 thousand, income 806 thousand, and income \$7,897 thousand, income \$14,177 thousand representing 24.49%, 3.56% and 44.95%, 16.76% of the Company's consolidated comprehensive income and loss for the three months and six months ended June 30, 2017 and 2016.

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

KPMG  
CPA: Potree Yang and David Chen  
Kaohsiung, Taiwan, R.O.C.  
August 1, 2017

**Emerging Display Technologies Corp. and its subsidiaries**

**Consolidated Balance Sheet**

**June 30, 2017 and 2016**

(expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

ASSET	2017.6.30		2016.12.31		2016.6.30	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSET :</b>						
Cash and cash equivalent (Note 6(a))	\$ 805,437	23	744,653	22	955,996	26
Financial assets at fair value through profit or loss-current (Note 6(b))	2,355	-	4,655	-	65,502	2
Available-for-sale financial assets— current (Note 6(c))	488,133	14	408,905	12	578,075	16
Bond investments without active market-current (Notes 6(d) and 8)	293,546	8	420,428	12	1,006	-
Accounts receivable, net (Note 6(f))	437,690	12	376,421	11	486,970	13
Other receivables (Note 6(f))	18,726	1	19,602	-	33,251	1
Current tax assets	3,345	-	2,782	-	3,429	-
Inventories (Note 6(g))	758,687	22	754,529	22	750,560	21
Other current assets (Note 6(h))	34,410	1	20,814	1	20,582	1
<b>Total current Asset</b>	<b>2,842,329</b>	<b>81</b>	<b>2,752,789</b>	<b>80</b>	<b>2,895,371</b>	<b>80</b>
<b>NONCURRENT ASSET :</b>						
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	5	185,000	6	185,000	5
Property, plant and equipment (Notes 6(j) and 8 and 9)	418,240	12	459,027	13	495,304	14
Investment Property (Notes 6(k) and 8)	22,531	1	17,047	-	17,227	-
Intangible assets (Note 6(l))	3,773	-	3,868	-	3,341	-
Deferred tax assets	24,734	1	25,898	1	23,719	1
Prepayments on purchase of equipment	1,016	-	377	-	-	-
Other non-current financial assets (Notes 6(d) and 6(f) and 8)	9,193	-	9,842	-	9,628	-
<b>Total noncurrent assets</b>	<b>664,487</b>	<b>19</b>	<b>701,059</b>	<b>20</b>	<b>734,219</b>	<b>20</b>
<b>TOTAL</b>	<b>\$ 3,506,816</b>	<b>100</b>	<b>3,453,848</b>	<b>100</b>	<b>3,629,590</b>	<b>100</b>

LIABILITIES AND EQUITY	2017.6.30		2016.12.31		2016.6.30	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
<b>CURRENT LIABILITY :</b>						
Short-term loans (Notes 6(m) and 8)	\$ 910,876	26	712,000	21	646,636	18
Notes payable	1,560	-	2,203	-	2,863	-
Accounts payable	379,455	11	344,224	10	339,317	9
Other payables	234,725	7	228,455	6	283,328	8
Current tax liabilities	16,297	-	13,485	-	92	-
Long-term loans, current portion (Notes 6(n) and 8)	-	-	-	-	254,800	7
Other current liabilities	13,872	-	21,335	1	26,779	1
<b>Total current liabilities</b>	<b>1,556,785</b>	<b>44</b>	<b>1,321,702</b>	<b>38</b>	<b>1,553,815</b>	<b>43</b>
<b>NONCURRENT LIABILITIES :</b>						
Deferred tax liabilities	2,812	-	2,812	-	2,539	-
Net Defined Benefit liabilities-noncurrent	87,230	3	88,505	3	83,607	2
Guarantee deposits received	160	-	160	-	160	-
<b>Total liabilities</b>	<b>90,202</b>	<b>3</b>	<b>91,477</b>	<b>3</b>	<b>86,306</b>	<b>2</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 6 (r) and 11) :</b>						
Capital stock	1,834,076	52	1,949,076	56	2,009,076	55
Capital surplus	20,281	1	33,663	1	31,097	1
Retained earnings	260,909	7	338,384	10	249,788	7
Other equity interest	(63,582)	(1)	(87,612)	(3)	(107,829)	(2)
Treasury stocks	(273,209)	(8)	(273,209)	(7)	(273,208)	(8)
Total equity attributable to shareholders of parent	1,778,475	51	1,960,302	57	1,908,924	53
Non-controlling interests(Note 6(i))	81,354	2	80,367	2	80,545	2
<b>Total equity</b>	<b>1,859,829</b>	<b>53</b>	<b>2,040,669</b>	<b>59</b>	<b>1,989,469</b>	<b>55</b>
<b>TOTAL</b>	<b>\$ 3,506,816</b>	<b>100</b>	<b>3,453,848</b>	<b>100</b>	<b>3,629,590</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the six months ended June 30, 2017 and 2016**  
**(expressed in thousands of New Taiwan Dollars)**  
**(Reviewed, not audited)**

	For the three months ended June 30				For the six months ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue (Note 6(t))</b>	\$ 746,918	100	822,467	100	1,473,781	100	1,710,756	100
<b>Operating cost (Notes 6(g),6(p)),6(u) and 6(l))</b>	612,519	82	677,073	82	1,213,205	82	1,374,760	80
<b>Gross profit</b>	134,399	18	145,394	18	260,576	18	335,996	20
<b>Operating expenses (Notes 6(p), 6(u) and 6(l)):</b>								
Selling expenses	46,434	6	53,783	7	91,720	6	102,473	6
General and administrative expenses	30,391	4	36,610	4	60,676	4	72,654	4
Research and development expenses	23,304	3	25,643	3	44,021	3	49,023	3
	100,129	13	116,036	14	196,417	13	224,150	13
<b>Net other income (Note 6(v))</b>	308	-	273	-	617	-	547	-
<b>Operating profit</b>	34,578	5	29,631	4	64,776	5	112,393	7
<b>Non-operating income and expenses (Note 6(w)):</b>								
Other income	3,528	-	5,713	1	6,248	-	7,214	-
Other gains and losses, net	17,617	2	7,809	1	(63,729)	(4)	(1,935)	-
Finance costs	(2,407)	-	(2,950)	-	(4,345)	-	(5,848)	-
	18,738	2	10,572	2	(61,826)	(4)	(569)	-
Profit before tax	53,316	7	40,203	6	2,950	1	111,824	7
<b>Total tax expense(Note 6(q))</b>	18,419	2	6,370	1	10,387	1	18,482	1
<b>Net Profit</b>	34,897	5	33,833	5	(7,437)	-	93,342	6
<b>Other comprehensive income :</b>								
<b>Items that will be reclassified into profit or loss :</b>								
Foreign currency translation difference	1,496	-	(1,793)	-	(8,297)	(1)	(3,593)	-
Unrealized gain(loss) on available-for-sale financial Assets (Note (x))	15,387	2	(10,585)	(1)	34,506	2	(6,980)	-
Less: Income tax related to items that will be reclassified subsequently (Note(q))	297	-	(1,155)	-	1,205	-	(1,829)	-
<b>Other comprehensive income, net</b>	16,586	2	(11,223)	(1)	25,004	1	(8,744)	-
<b>Comprehensive income</b>	<b>\$ 51,483</b>	<b>7</b>	<b>22,610</b>	<b>4</b>	<b>17,567</b>	<b>1</b>	<b>84,598</b>	<b>6</b>
<b>Profit (loss) attributable to</b>								
Shareholders of parent	\$ 34,835	5	33,975	5	(7,450)	-	93,123	6
Non-controlling interests	62	-	(142)	-	13	-	219	-
<b>Net Profit (loss)</b>	<b>\$ 34,897</b>	<b>5</b>	<b>33,833</b>	<b>5</b>	<b>(7,437)</b>	<b>-</b>	<b>93,342</b>	<b>6</b>
<b>Comprehensive income attributable to</b>								
Shareholders of parent	\$ 50,806	7	22,717	4	16,580	1	84,295	6
Non-controlling interests	677	-	(107)	-	987	-	303	-
<b>Total comprehensive income</b>	<b>\$ 51,483</b>	<b>7</b>	<b>22,610</b>	<b>4</b>	<b>17,567</b>	<b>1</b>	<b>84,598</b>	<b>6</b>
<b>Earnings per share (Note 6(s))(expressed in New Taiwan Dollars):</b>								
<b>Basic earnings per share</b>	<b>\$ 0.21</b>		<b>0.18</b>		<b>(0.05)</b>			
<b>Diluted earnings per share</b>	<b>\$ 0.21</b>		<b>0.18</b>		<b>(0.05)</b>			

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the six months ended June 30, 2017 and 2016**

(In Thousands of New Taiwan Dollars)  
(Reviewed, not audited)

	Equity attributable to shareholders of parent										
	Common stock	Capital surplus	Retained earnings			Other equity interest			Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
			Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign currency translation difference	Unrealized gain(loss) on available-for- sale financial assets	Treasury stock			
<b>Balance as of January 1, 2016</b>	\$ 2,149,076	27,955	-	-	216,937	9,532	(108,533)	(259,140)	2,035,827	80,242	2,116,069
Net profit for the six months ended June 30, 2016	-	-	-	-	93,123	-	-	-	93,123	219	93,342
Other comprehensive income(loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	(3,448)	(5,380)	-	(8,828)	84	(8,744)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	93,123	(3,448)	(5,380)	-	84,295	303	84,598
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	21,614	-	(21,614)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	96,448	(96,448)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(60,272)	-	-	-	(60,272)	-	(60,272)
Repurchase of treasury stock	-	-	-	-	-	-	-	(150,926)	(150,926)	-	(150,926)
Cancellation of treasury stock	(140,000)	3,142	-	-	-	-	-	136,858	-	-	-
<b>Balance as of June 30, 2016</b>	<b>\$ 2,009,076</b>	<b>31,097</b>	<b>21,614</b>	<b>96,448</b>	<b>131,726</b>	<b>6,084</b>	<b>(113,913)</b>	<b>(273,208)</b>	<b>1,908,924</b>	<b>80,545</b>	<b>1,989,469</b>
<b>Balance as of January 1, 2017</b>	<b>\$ 1,949,076</b>	<b>33,663</b>	<b>21,614</b>	<b>96,448</b>	<b>220,322</b>	<b>(293)</b>	<b>(87,319)</b>	<b>(273,209)</b>	<b>1,960,302</b>	<b>80,367</b>	<b>2,040,669</b>
Net profit (loss) for the six months ended June 30, 2017	-	-	-	-	(7,450)	-	-	-	(7,450)	13	(7,437)
Other comprehensive income(loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(8,160)	32,190	-	24,030	974	25,004
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	(7,450)	(8,160)	32,190	-	16,580	987	17,567
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	18,777	-	(18,777)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	27,262	(27,262)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(70,025)	-	-	-	(70,025)	-	(70,025)
Repurchase of treasury stock	-	-	-	-	-	-	-	(128,382)	(128,382)	-	(128,382)
Cancellation of treasury stock	(115,000)	(13,382)	-	-	-	-	-	128,382	-	-	-
<b>Balance as of June 30, 2017</b>	<b>\$ 1,834,076</b>	<b>20,281</b>	<b>40,391</b>	<b>123,710</b>	<b>96,808</b>	<b>(8,453)</b>	<b>(55,129)</b>	<b>(273,209)</b>	<b>1,778,475</b>	<b>81,354</b>	<b>1,859,829</b>

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statement of Cash flows**

**For the six months ended June 30, 2017 and 2016**

(expressed in thousands of New Taiwan Dollars)  
(Reviewed, not audited)

	From the six months ended June 30	
	2017	2016
<b>Cash flows from operating activities:</b>		
<b>Profit(loss) before tax</b>	\$ 2,950	111,824
<b>Adjustments:</b>		
Income and expenses having no effect on cash flows:		
Depreciation expense	48,911	56,968
Amortization expense	581	514
Provision for bad debt (reversal) expense	(210)	170
Net gain on financial assets or liabilities at fair value through profit or loss	2,299	814
Interest expense	4,345	5,848
Interest income	(5,455)	(1,334)
Dividend income	(584)	(1,177)
Gain on disposal of property, plant and equipment	(568)	(371)
Gain on disposal of investments	(2,512)	(3,106)
Unrealized foreign exchange loss	35,027	5,566
Reversal gain on impairment loss of investment property	(5,664)	-
Total adjustments to reconcile profit (loss)	76,170	63,892
<b>Changes in operating assets and liabilities</b>		
Net changes in operating assets:		
Accounts receivable	(70,866)	(36,397)
Other receivable	1,061	956
Inventories	(11,290)	78,182
Other current assets	(13,855)	12,171
Total net changes in operating assets	(94,950)	54,912
Net changes in operating liabilities:		
Notes payable	(643)	(330)
Accounts payable	37,116	(23,439)
Other payables	(59,314)	(42,182)
Other current liabilities	(7,170)	831
Net defined benefit liability	(1,275)	(1,164)
Other operating liabilities	(31,286)	(66,284)
Total net changes in operating liabilities	(126,236)	(11,372)
<b>Total adjustments</b>	(50,066)	52,520
<b>Cash generated from operating activities</b>	(47,116)	164,344
Interest received	5,268	1,318
Dividends received	584	577
Interest paid	(4,201)	(5,351)
Income taxes paid	(8,288)	(3,874)
<b>Net cash flows from operating activities</b>	(53,753)	157,014
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	-	(16,187)
Acquisition of available-for-sale financial assets	(190,408)	-
Proceeds from disposal of available-for-sale financial assets	148,198	17,273
Proceeds of Debt Investments Without Active Market	117,980	8
Acquisition of property, plant and equipment	(16,211)	(11,043)
Proceeds from disposal of property, plant and equipment	1,226	371
Acquisition of intangible assets	(486)	(330)
Decrease in other financial assets (Increase)	491	6
Increase in prepayments on purchase of equipment	(639)	-
<b>Net cash flows used in investing activities</b>	60,151	(9,902)
<b>Cash flows from financing activities:</b>		
Increase in short-term loans (Decrease)	198,896	47,367
Repayments of long-term loans	-	(36,400)
Treasury stock acquired	(128,382)	(162,026)
<b>Net cash provided by (used in) financing activities</b>	70,514	(151,059)
Effects of changes in foreign exchange rates	(16,128)	(3,314)
Net increase in cash and cash equivalents	60,784	(7,261)
Cash and cash equivalents at beginning of year	744,653	963,257
Cash and cash equivalents at end of year	<b>\$ 805,437</b>	<b>955,996</b>

See accompanying notes to consolidated financial statements.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

For the six months ended June 30, 2017 and 2016

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

(Reviewed, not audited)

### 1. Organization and Business Scope

Emerging Display Technologies Corp.(the Company) and its subsidiaries was incorporated as a limited liability Group under the laws of the Republic of China (ROC) on September 23, 1994. The address of its registered office and principal place of business is No.5, Central 1st Rd, Kaohsiung Economic Processing Zone, Kaohsiung City, Taiwan. The Consolidated financial statements of Emerging Display Technologies Corp. as of and for the six months ended June 30, 2017 and 2016 comprise Emerging Display Technologies Corp. and its subsidiaries (jointly referred to as the Group). The Group is engaged in the manufacture and sale of Capacity Touch Panel and liquid crystal displays (LCDs).

### 2. Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on August 1, 2017.

### 3. Application of New and Revised International Financial Reporting Standards and Interpretations

(1) Impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The group is required to confirm to the IFRSs, which were issued by the International Accounting Standards Board (IASB) before January 1, 2017 and were endorsed by the FSC on January, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follow;

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
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



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to 2010~2012 and 2011~2013 Cycle	July 1, 2014
International financial report annual improvement 2012-2014	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

The above new standards and interpretations has not had any material impact on the Group’s accounting policies.

- (2) Newly released or amended standards and interpretations not yet endorsed by the FSC  
According to Ruling No. 1060025773 issued on July 14, 2017 by FSC, public entities are required to confirm to IFRSs, which were issued by International Accounting Standards Board (IASB) before January 1, 2018 and were endorsed by FSC on January 1, 2018 in preparing their financial statements. The related standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 “Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “transfers of investment property”	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1” and IAS 28 “	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follow:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### A. IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The Group will revise its accounting procedures and internal controls related to reporting financial instruments in accordance with the standard. However, the Group has performed a preliminary assessment of the potential impact of the adoption IFRS 9 based on its positions as of June 30, 2017 and hedging relationships designated during the first half of 2017 under IAS 39.

##### (a) Classification and Measurement-Financial assets

IFRS 9 contains a new classification and measurements approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial asset: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such and instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Base on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for accounts receivables and investments in equity securities that are managed on a fair value basis. At June 30, 2017, the Group had financial assets measured at cost of 185,000 and equity investments classified as available-for sale with a fair value of 227,334. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FOVCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group’s profits.

As of June 30, 2017, the Group had open-end fund with a fair value of 260,799 classified as available-for sale financial asset. If continue to hold on the same purpose when adopting IFRS 9, it’s usually classified to fair value through other comprehensive income and the profit and loss of fair value afterward is recognized as profit and loss. The changes of fair value will cause the profit and loss fluctuation of the Group.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (b) Impairment-Financial assets and contract assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for accounts receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for accounts receivables and contract assets with a significant financing component.

The Group's preliminary assessment indicated that the application of IFRS 9's impairment requirements would not have any material impact on its consolidated financial statement.

#### (c) Hedging Accounting

When initial applying of IFRS 9, the Group can choose to continue the hedging accounting of IAS 39 instead of IFRS 9 as its accounting principle. The Group plan to continue the application of IAS 39.

#### (d) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (e) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

#### B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and the relevant interpretations. The standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step mode.

##### (a) Sales of goods

The Group recognized revenue when delivered goods to customer's designated place, customer accepted the goods and the significant risks and rewards already transferred to customers. The Group recognized revenue at this stage was because revenue and cost can be measured reliably, amount can be high possibly collected and the Group no longer engaged in the management of the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group has performed a preliminary assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control transferred and the Group does not expect that there will be a significant impact on its consolidated financial statements.

##### (b) Transition

The Group expects to apply IFRS 15 retrospectively. Hence, each comparison period of consolidated reports will be retrospectively adjusted according to the application IFRS 15.

The Group plans to use the practical expedients for completed contracts. This means that when a contract reaches its maturity in the same comparative reporting period, and when a contract is deemed as completed contracts at the beginning of the earliest period presented, it will not be restated.

#### C. Amendments to IAS 7 Disclosure Initiative

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Group expects to provide the adjustment of initial and ending balance from liability of financing activities to meet aforementioned application.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### D. Amendments to IAS 12 Recognition of Deferred Tax assets for Unrealized Loss

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group is assessing the potential impact on its consolidated financial statements resulting from amendments. So far, the Group does not expect any significant impact.

#### E. IFRIC 22 Foreign Currency Transactions and Advance Consideration

The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of each payment or receipt date. The Group estimated the above changed in Accounting policies may change the measurement of advance receipt (prepaid) price but the amount needs further evaluation.

#### F. Amendment to IAS 40 Transfer to or from Investment Property

Clarify that Corporation can transfers to, or from, investment property only when there is a change in use with evidence to prove. The amendment emphasizes management team's intention to change instead of evidence of change in use. It further clarified the change of evidence in use including transfer from owner-occupied property to investment property.

The Group's initial evaluation of above accounting policy change won't cause significant impact on its consolidated financial statements.

#### (3) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Lease"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

The Group is still currently determining the potential impact of the standards listed below:

<u>Issuance/Release Dates</u>	<u>Standards or interpretation</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease in amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

<u>Issuance/Release Dates</u>	<u>Standards or interpretation</u>	<u>Content of amendment</u>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"><li>• The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.</li><li>• If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If it's not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment to reflect the influence of the resolution of the uncertainty over income tax treatments.</li></ul>

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

##### (1) Statement of compliance

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

Except below Note 4(c) and (d), the significant accounting policies for the consolidated financial statement applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 4 of 2016 consolidated financial statement for detail information.

##### (2) Basis of consolidation

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements. Please refer to Note 4(c) of 2016 consolidated financial statement for detail information.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

Name of the Investor	Name of the Subsidiary	Business Activity	Percentage Ownership			Remark
			2017.6.30	2016.12.31	2016.6.30	
The Company	Emerging Display Technologies Co., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	Note
The Company	EDT-Europe ApS	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Note
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	Note
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Note
The Company	EDT-Japan Corp.	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Note
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	Note
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	investment holding	5.90%	5.90%	5.90%	Note
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	investment holding	11.41%	11.41%	11.41%	Note
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	Note

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

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

### **(3) Income tax**

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

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

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

### **(4) Employee benefit**

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 5. Significant Accounting Judgement, Estimates, and Assumptions and Sources of Estimation Uncertainty

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

The same critical accounting judgement and key sources of estimation and uncertainty have been followed in these consolidated financial reports as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2016.

#### 6. Explanation of significant accounting items

The explanation of significant accounting items of this quarterly consolidated financial statements had no significant difference compared with the Group consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6 of 2016 consolidated financial statements.

##### (a) Cash and cash equivalents

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Cash and cash equivalents	\$ 254	331	302
Demand deposits	369,878	505,746	833,159
Check deposits	507	3,552	3,110
Time deposits	373,958	235,024	119,425
Cash equivalent	<u>60,840</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 805,437</u>	<u>744,653</u>	<u>955,996</u>

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

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Financial assets at fair value through profit or loss: :			
Corporate Bond	\$ -	-	65,256
Financial asset held for trade:			
Swap Contract	<u>2,355</u>	<u>4,655</u>	<u>246</u>
	<u>\$ 2,355</u>	<u>4,655</u>	<u>65,502</u>

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group had no financial assets at fair value through profit or loss pledged as collateral for loans.

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

	<u>2017.6.30</u>		
	<u>Contract amount</u>	<u>Currency</u>	<u>Maturity period</u>
	<u>(Thousand Dollars)</u>		
Swap Contract	USD 8,000	USD to TWD	2017.7.4~2017.8.29



**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Notes to consolidated financial statements**

	<b>2016.12.31</b>		
	<b>Contract amount (Thousand Dollars)</b>	<b>Currency</b>	<b>Maturity period</b>
Swap Contract	USD 6,000	USD to TWD	2017.1.6~2017.2.24

  

	<b>2016.6.30</b>		
	<b>Contract amount (Thousand Dollars)</b>	<b>Currency</b>	<b>Maturity period</b>
Swap Contract	USD 4,000	USD to TWD	2016.7.15~2016.8.30

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

	<b>2017.6.30</b>	<b>2016.12.31</b>	<b>2016.6.30</b>
Listed stocks in Taiwan	\$ 157,237	181,953	183,057
Foreign listed stocks	70,097	59,763	49,368
Open-end mutual funds	260,799	167,189	345,650
Total	<b>\$ 488,133</b>	<b>408,905</b>	<b>578,075</b>

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

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

With the objective of investment and financial management, the Group as the beneficiary entrusts partial listed companies to bank. According to the terms of the contract, the Group does not lose control on these financial assets, and they are hence not derecognized. As at June 31, 2017, December 31, 2016 and June 31, 2016, the book value our Group entrusted to the financial institutions are \$16,925, \$14,050 and \$0 respectively.

As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group had no available-for-sale financial assets pledged as collateral for loans.

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

	<b>2017.6.30</b>	<b>2016.12.31</b>	<b>2016.6.30</b>
Restricted Certificate Deposit-current	<b>\$ 294,105</b>	<b>421,535</b>	<b>1,517</b>
Current	\$ 293,546	420,428	1,006
Non-current(recorded in other non-current financial assets)	559	1,107	511
Total	<b>\$ 294,105</b>	<b>421,535</b>	<b>1,517</b>

As of June 30, 2017 and December 31, 2016 and June 30, 2016, bond investment without an active market pledged as collateral for loans are disclosed in Note 8.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Notes to consolidated financial statements**

**(e) Financial assets at cost**

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Unlisted stocks	\$ <u>185,000</u>	<u>185,000</u>	<u>185,000</u>

The Group held above financial assets at cost measured at cost deducted impairment on reporting date due to it belongs to trade without active market. Therefore, the Group management had determined that the fair value cannot be measured reliably.

As of June 30, 2017, December 31, 2016 and June 30, 2016, financial assets at cost were not pledged as collateral.

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

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Account receivable	\$ 460,112	399,069	509,929
Other receivables-current	21,616	22,666	46,001
Other receivables- deposits paid	8,634	8,735	9,117
Less: allowance for doubtful accounts	<u>(25,312)</u>	<u>(25,712)</u>	<u>(35,709)</u>
	\$ <u>465,050</u>	<u>404,758</u>	<u>529,338</u>

Book as :

Net account receivables	\$ 437,690	376,421	486,970
Other receivables	18,726	19,602	33,251
Other financial assets	<u>8,634</u>	<u>8,735</u>	<u>9,117</u>
	\$ <u>465,050</u>	<u>404,758</u>	<u>529,338</u>

The aging analysis of unimpaired overdue receivables was as follows:

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
1~30 days	\$ 41,504	51,215	37,552
31~90 days	10,637	4,509	13,603
91~270 days	147	318	4,189
More than 271 days	<u>36</u>	<u>50</u>	<u>149</u>
	\$ <u>52,324</u>	<u>56,092</u>	<u>55,493</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

	<b>Six months ended June 30, 2017</b>		
	<b>Separate assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 25,409	303	25,712
Recognition(reversal) of impairment loss	-	(210)	(210)
The Effects of Changes in Foreign Exchange Rates	(174)	(16)	(190)
Balance at June 30, 2017	<b><u>\$ 25,235</u></b>	<b><u>77</u></b>	<b><u>25,312</u></b>

	<b>Six months ended June 30, 2016</b>		
	<b>Separate assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 41,940	487	42,427
Recognition of impairment loss	32	138	170
Offset uncollected amount	(6,653)	-	(6,653)
The effects of Changes in Foreign Exchange Rates	(225)	(10)	(235)
Balance at June 30, 2016	<b><u>\$ 35,094</u></b>	<b><u>615</u></b>	<b><u>35,709</u></b>

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, accounts receivable and other receivables were not pledged as collateral.

#### **(g) Inventory**

	<b>2017.6.30</b>	<b>2016.12.31</b>	<b>2016.6.30</b>
Raw materials	\$ 200,582	188,683	171,672
Work in process	322,860	310,053	305,981
Finished goods	232,377	250,990	270,900
Inventories in transit	2,868	4,803	2,007
	<b><u>\$ 758,687</u></b>	<b><u>754,529</u></b>	<b><u>750,560</u></b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The previous write-down inventories had been sold and the net realizable value of inventories lowered than cost was no longer existed, the reversal of write-downs amounted to \$6,630 and \$3,131 were recognized in the reduction of operating costs for the three months and six months ended June 30, 2017. Write-down of inventory to net realized value in the amount of \$11,023 and \$12,994 were included in the cost of revenue for three months and six months ended June 30, 2016.

As of June 30, 2017, December 31, 2016 and June 30, 2016, inventories were not pledged as collateral.

#### (h) Other current assets:

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Income tax refund receivable	\$ 2,055	2,526	2,552
Prepayment for purchases	2,814	4,094	6,687
Prepaid expense	8,669	9,096	8,123
Prepaid sales tax	20,872	5,098	3,220
	<u>\$ 34,410</u>	<u>20,814</u>	<u>20,582</u>

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

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

Name of subsidiaries	Principal place of business	Proportion of non-controlling interest voting equity		
		<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%	4.2%

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

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

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Current Asset	\$ 11,442	9,171	8,765
Non-Current Asset	150,000	150,000	150,000
Current Liability	(3)	(60)	-
Non-Current liability	-	-	-
Net Asset	<u>\$ 161,439</u>	<u>159,111</u>	<u>158,765</u>
Non-Controlling equity closing book amount	<u>\$ 76,684</u>	<u>75,578</u>	<u>75,413</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	April to June 2017	April to June 2016	January to June 2017	January to June 2016
Operating revenue	\$ -	-	-	-
Net Loss	\$ (4)	(4)	(10)	(10)
Other comprehensive income	1,163	328	2,338	482
Comprehensive income	<u>\$ 1,159</u>	<u>324</u>	<u>2,328</u>	<u>472</u>
Profit (Loss) attributable to non-controlling interest	<u>\$ (2)</u>	<u>(2)</u>	<u>(5)</u>	<u>(5)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 551</u>	<u>154</u>	<u>1,106</u>	<u>224</u>

	January to June 2017	January to June 2016
Cash flow from operating activities	\$ (66)	(54)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	<u>\$ (66)</u>	<u>(54)</u>

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

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Current Asset	\$ 139,257	127,372	132,295
Non-Current Asset	11,362	14,176	17,408
Current Liability	(39,431)	(27,511)	(27,510)
Non-Current liability	-	-	-
Net Asset	<u>\$ 111,188</u>	<u>114,037</u>	<u>122,193</u>
Non-Controlling equity closing book amount	<u>\$ 4,670</u>	<u>4,789</u>	<u>5,132</u>

	April to June 2017	April to June 2016	January to June 2017	January to June 2016
Operating revenue	<u>\$ 97,281</u>	<u>88,708</u>	<u>169,300</u>	<u>189,663</u>
Net profit(Loss)	\$ 1,524	(3,334)	426	5,329
Other comprehensive income	1,472	(2,890)	(3,275)	(3,454)
Comprehensive income	<u>\$ 2,996</u>	<u>(6,224)</u>	<u>(2,849)</u>	<u>1,875</u>
Profit(Loss) attributable to non-controlling interest	<u>\$ 64</u>	<u>(140)</u>	<u>18</u>	<u>224</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 126</u>	<u>(261)</u>	<u>(119)</u>	<u>79</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<b>January to June 2017</b>	<b>January to June 2016</b>
Cash flow from operating activities	\$ (13,398)	(2,376)
Cash flow from investing activities	(111)	(1,133)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	(635)	(273)
Net increase in cash and cash equivalents	<b>\$ (14,144)</b>	<b>(3,782)</b>

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

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

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Other</b>	<b>Total</b>
<b>Cost or deemed cost:</b>						
Balance at January 1, 2017	\$ 51,334	994,153	2,580,349	31,970	160,152	3,817,958
Additions	-	1,796	2,047	18	8,722	12,583
Reclassification	-	-	14,250	-	(14,250)	-
Disposals	-	-	-	(37)	(4,619)	(4,656)
Effect of movements in exchange rates	(2,913)	(2,457)	(6,503)	(543)	(164)	(12,580)
Balance at June 30, 2017	<b>\$ 48,421</b>	<b>993,492</b>	<b>2,590,143</b>	<b>31,408</b>	<b>149,841</b>	<b>3,813,305</b>
Balance at January 1, 2016	\$ 52,249	995,983	2,705,564	32,418	151,520	3,937,734
Additions	-	1,295	5,134	373	8,956	15,758
Reclassification	-	-	9,465	-	(9,465)	-
Disposals	-	-	(126,052)	(27)	(1,827)	(127,906)
Effect of movements in exchange rates	(876)	(1,856)	(7,449)	(177)	(159)	(10,517)
Balance at June 30, 2016	<b>\$ 51,373</b>	<b>995,422</b>	<b>2,586,662</b>	<b>32,587</b>	<b>149,025</b>	<b>3,815,069</b>
<b>Depreciation and impairment loss:</b>						
Balance at January 1 2017	\$ -	752,899	2,460,290	28,948	116,794	3,358,931
Depreciation for the year	-	7,659	32,957	557	7,558	48,731
Disposals	-	-	-	(37)	(3,961)	(3,998)
Effect of movements in exchange rates	-	(1,695)	(6,305)	(507)	(92)	(8,599)
Balance at June 30 2017	<b>\$ -</b>	<b>758,863</b>	<b>2,486,942</b>	<b>28,961</b>	<b>120,299</b>	<b>3,395,065</b>
Balance at January 1 2016	\$ -	737,759	2,529,764	28,524	103,877	3,399,924
Depreciation for the year	-	9,943	38,107	643	8,095	56,788
Disposals	-	-	(126,052)	(27)	(1,827)	(127,906)
Effect of movements in exchange rates	-	(1,558)	(7,152)	(177)	(154)	(9,041)
Balance at June 30, 2016	<b>\$ -</b>	<b>746,144</b>	<b>2,434,667</b>	<b>28,963</b>	<b>109,991</b>	<b>3,319,765</b>
<b>Carrying amounts:</b>						
Balance at January 1, 2017	<b>\$ 51,334</b>	<b>241,254</b>	<b>120,059</b>	<b>3,022</b>	<b>43,358</b>	<b>459,027</b>
Balance at June 30, 2017	<b>\$ 48,421</b>	<b>234,629</b>	<b>103,201</b>	<b>2,447</b>	<b>29,542</b>	<b>418,240</b>
Balance at January 1, 2016	<b>\$ 52,249</b>	<b>258,224</b>	<b>175,800</b>	<b>3,894</b>	<b>47,643</b>	<b>537,810</b>
Balance at June 30, 2016	<b>\$ 51,373</b>	<b>249,278</b>	<b>151,995</b>	<b>3,624</b>	<b>39,034</b>	<b>495,304</b>

Please refer to note 6(w) for detail of disposal gain and loss.

As of June 30, 2017, December 31, 2016 and June 30, 2016, property, plant and equipment pledged as collateral for short-term, long-term loans and finance are disclosed in note 8.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (k) Investment property

The details of investment property were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Book value or deemed cost:			
Balance at January 1, 2017	\$ 10,079	21,670	31,749
Balance at June 30, 2017	<b><u>\$ 10,079</u></b>	<b><u>21,670</u></b>	<b><u>31,749</u></b>
Balance at January 1, 2016	\$ 10,079	21,670	31,749
Balance at June 30, 2016	<b><u>\$ 10,079</u></b>	<b><u>21,670</u></b>	<b><u>31,749</u></b>
Depreciation and impairment loss:			
Balance at January 1, 2017	\$ -	14,702	14,702
Depreciation for the year	-	180	180
Reversal of impairment loss	-	(5,664)	(5,664)
Balance at June 30, 2017	<b><u>\$ -</u></b>	<b><u>9,218</u></b>	<b><u>9,218</u></b>
Balance at January 1, 2016	\$ -	14,342	14,342
Depreciation for the year	-	180	180
Balance at June 30, 2016	<b><u>\$ -</u></b>	<b><u>14,522</u></b>	<b><u>14,522</u></b>
Carrying amounts:			
Balance at January 1, 2017	<b><u>\$ 10,079</u></b>	<b><u>6,968</u></b>	<b><u>17,047</u></b>
Balance at June 30, 2017	<b><u>\$ 10,079</u></b>	<b><u>12,452</u></b>	<b><u>22,531</u></b>
Balance at January 1, 2016	<b><u>\$ 10,079</u></b>	<b><u>7,328</u></b>	<b><u>17,407</u></b>
Balance at June 30, 2016	<b><u>\$ 10,079</u></b>	<b><u>7,148</u></b>	<b><u>17,227</u></b>

In March, 2017, the Group re-tested the impairment of the cash generating unit, estimated its recoverable amount was \$23,329 and higher than its carrying amount of \$22,531, therefore, reversed recoverable amount \$5,664. Reversal of impairment loss was recognised in the consolidated income statement.

The Group conducted investment property assessment based on value in use as recoverable amount. The calculation of value in use is according to the expected cash flow generating from the future rental and is discounted by the rate of return that reflects the inherent risk of the net cash flow. The discount rate used on March 31, 2017 was 1.8455%.

The fair value of Group's investment property had no significant difference with 2016 consolidated financial statements disclosed in Note 6(k).

As of June 30, 2017, December 31 and June 30, 2016, investment property pledged as collateral for short-term, long-term loans and finance are disclosed in Note 8.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (l) Intangible assets

	Patent and other	Computer software cost	Total
Book value detail as below:			
Balance at January 1, 2017	\$ <u>1,843</u>	<u>2,025</u>	<u>3,868</u>
Balance at June 30, 2017	\$ <u>1,980</u>	<u>1,793</u>	<u>3,773</u>
Balance at January 1, 2016	\$ <u>1,938</u>	<u>1,587</u>	<u>3,525</u>
Balance at June 30, 2016	\$ <u>1,886</u>	<u>1,455</u>	<u>3,341</u>

There is no increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the six months ended June 30, 2017 and 2016. Please refer Note 12(a) for amortization amount. Other related information, please refer to Note 6(l) of 2016 consolidated financial statements.

As of June 30, 2017, December 31, 2016 and June 30, 2016, intangible assets were not pledged as collateral.

#### (m) Short-term loans

The details of short-term loans were as follows:

	2017.6.30	2016.12.31	2016.6.30
Letters of credit	\$ 8,876	-	6,636
Unsecured bank loans	580,000	330,000	570,000
Secured bank loans	<u>322,000</u>	<u>382,000</u>	<u>70,000</u>
Total	<u>\$ 910,876</u>	<u>712,000</u>	<u>646,636</u>
Unused lines of credit	<u>\$ 1,058,163</u>	<u>1,236,685</u>	<u>980,279</u>
Interest rates applied	<u>0.88%~1.10%</u>	<u>0.88%~1.10%</u>	<u>0.95%~1.68%</u>

Please refer to Note 6(w) for interest expense detail.

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, The Group's acceptance credit for purchases of raw materials and machinery equipment amounted to \$12,685, \$11,017 and \$14,550, respectively.

#### (n) Long-term loans

The details of long-term loans were as follows:

	2017.6.30	2016.12.31	2016.6.30
Secured bank loans	\$ -	-	254,800
Less: current portion	-	-	<u>(254,800)</u>
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>
Unused lines of credit	<u>\$ 800,000</u>	<u>800,000</u>	<u>-</u>
Interest rates applied	<u>-</u>	<u>-</u>	<u>1.8795%</u>



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(i) Violation of loan agreement

For six months ended June 30, 2017 and 2016, the Group has no increase of long-term loans, and the repayments of long-term loans were amounted to \$0 and \$36,400, respectively. Please refer to Note 6(w) for interest expense detail.

Other related information, please refer to Note 6 (n) of 2016 consolidated financial statements.

(ii) Collateral for long-term loans

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

**(o) Operating lease**

There is no increase for operating lease for six months ended June 30, 2017 and 2016. Please refer to Note 6(o) for the 2016 consolidated financial statements.

**(p) Employee Benefit**

(i) Defined benefit plan

There are no significant market fluctuations, curtailments, settlement or other one-time events after the end the previous financial year, the pension cost measurement and disclosure of interim pension cost are calculated based on actuarial adopted on December 31, 2016 and 2015.

Cost recognized in profit or loss is as below:

	<u>April to June,2017</u>	<u>April to June,2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Operating cost	\$ 371	436	744	876
Selling expenses	16	19	32	37
General and administrative expenses	49	55	95	110
Research and development expenses	38	42	76	84
	<u>\$ 474</u>	<u>552</u>	<u>947</u>	<u>1,107</u>

(ii) Defined Contribution Plan

Cost recognized in profit or loss is as below, which already contributed to Bureau of Labor Insurance :

	<u>April to June,2017</u>	<u>April to June,2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Operating cost	\$ 5,742	5,612	11,193	11,182
Selling expenses	1,236	1,354	2,527	2,713
General and administrative expenses	497	451	983	899
Research and development expenses	567	525	1,115	1,051
	<u>\$ 8,042</u>	<u>7,942</u>	<u>15,818</u>	<u>15,845</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (q) Income tax

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

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2017</u>
Current tax expense (benefit)				
Current	\$ 10,424	(855)	10,435	2,143
Adjust previous current tax	(1)	53	(1)	(213)
	<u>10,423</u>	<u>(802)</u>	<u>10,434</u>	<u>1,930</u>
Deferred tax expense				
Origination and reversal of temporary differences	7,996	7,172	(47)	16,552
The amounts of income tax	<u>\$ 18,419</u>	<u>6,370</u>	<u>10,387</u>	<u>18,482</u>

No income tax was recognized directly in equity.

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

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Unrealized gain (loss) on available-for sale financial assets	<u>\$ 297</u>	<u>(1,155)</u>	<u>1,205</u>	<u>(1,829)</u>

#### (ii) Approval of income tax

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

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

	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
1997 and prior years	\$ -	-	-
1998 and thereafter	96,808	220,322	131,726
	<u>\$ 96,808</u>	<u>220,322</u>	<u>131,726</u>
Balance of imputation credit	<u>\$ 9,692</u>	<u>2,376</u>	<u>8,308</u>

	<u>2016(Expected)</u>	<u>2015(Actual)</u>
Tax creditable ratio for earnings distributed to residents in R.O.C.	<u>4.40%</u>	<u>4.18%</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

The Company had no share capital change for the six months ended June 30, 2017 and 2016 except below statement. Please refer to Note 6(r) of 2016 consolidated financial statements for detail information.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(i) Common Stock

As of June 30, 2017, December 31 and June 30, 2016, 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 for six months ended June 30, 2017 and 2016 are as follows:

(Expressed in thousand of shares)	Common Stock	
	January to June 2017	January to June 2016
Balance at January 1, 2017	194,908	214,908
Cancellation of treasury shares	(11,500)	(14,000)
Balance at June 30, 2017	<b>183,408</b>	<b>200,908</b>

As of June 30, 2017, December 31 and June 30, 2016, excluding shares of treasury stock that had been purchased by the Company and shares of stock held by the subsidiaries, outstanding shares of stock are 162,613, 174,113 thousand shares and 180,113 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows:

	2017.6.30	2016.12.31	2016.6.30
Treasury stock	<b>\$ 20,281</b>	<b>33,663</b>	<b>31,097</b>

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

(iii) Earnings distribution

The appropriation of 2016 and 2015 earnings had been approved by the Company's shareholders meeting on June 8, 2017 and June 7, 2016. The appropriation and dividend per share were as follows:

	2016(Estimated)	2015(Actual)
Cash dividend to shareholders (NT\$)		
Cash	<b>\$ 0.4</b>	<b>0.31905693</b> (Note)

Note: The Company's shareholders meeting resolved to pay dividends \$0.3036 per share but adjusted to NT\$0.31905693 per share due to treasury stocks affected outstanding shares.

(iv) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment	Total
January 1, 2017	\$ (293)	(87,319)	(87,612)
— Changes of the Group	(8,160)	32,190	24,030
Balance as of June 30, 2017	<b>\$ (8,453)</b>	<b>(55,129)</b>	<b>(63,582)</b>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment	Total
January 1, 2016	\$ 9,532	(108,533)	(99,001)
— Changes of the Group	(3,448)	(5,380)	(8,828)
Balance as of June 30, 2016	<b>\$ 6,084</b>	<b>(113,913)</b>	<b>(107,829)</b>

#### (v) Treasury stock

The changes of treasury stocks were as follows:

Reason to buy back	Beginning shares	Increase shares	Decrease shares	Ending shares
<b>January to June, 2017</b>				
Maintain the Company's credit and stockholders' equity	-	11,500	(11,500)	-
Transfer to employees	12,000	-	-	12,000
	<b>12,000</b>	<b>11,500</b>	<b>(11,500)</b>	<b>12,000</b>
<b>January to June, 2016</b>				
Maintain the Company's credit and stockholders' equity	14,000	-	(14,000)	-
Transfer to employees	-	12,000	-	12,000
	<b>14,000</b>	<b>12,000</b>	<b>(14,000)</b>	<b>12,000</b>

Resolutions were passed during the board meetings held on January 5, February 20, 2017, respectively for the Company to repurchase 11,500 shares of its stock with face value \$115,000, which were completed. The Company's Board of Directors approved to retire 11,500 thousand shares of treasury stock on May 9 and February 9, 2017 and repurchase 12,000 thousand shares of its stock on February 15, 2017, which were completed respectively. Resolution passed during the board meeting held on January 14, 2016 to retire 14,000 thousand shares of its treasury stock with a face value \$140,000 was completed. The related registration procedures had been finished.

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the number of shares repurchased should not exceed 10 percent of all common shares issued. Also, the value of repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The above amount did not exceed the statutory limit.

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

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. For the six months ended June 30, 2017 and 2016, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of June 30, 2017, December 31, 2016 and June 30, 2016, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of June 30, 2017, December 31, 2016 and June 30, 2016, their market values amounted to \$85,746, \$86,185 and \$100,696, respectively.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (s) Earnings per share

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
<b>Basic earnings per share</b>				
Profit (loss) attributable to owners of parent	\$ <u>34,835</u>	<u>33,975</u>	<u>(7,450)</u>	<u>93,123</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	<u>162,613</u>	<u>185,219</u>	<u>164,964</u>	<u>185,219</u>
Expressed in New Taiwan dollars	\$ <u>0.21</u>	<u>0.18</u>	<u>(0.05)</u>	<u>0.50</u>
<b>Diluted earnings per share</b>				
Profit (loss) attributable to owners of parent	\$ <u>34,835</u>	<u>33,975</u>	<u>(7,450)</u>	<u>93,123</u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	162,613	185,219	164,964	185,219
Effect of potentially dilutive ordinary stock:				
– Employee bonus (expressed in thousands of shares)	<u>15</u>	<u>522</u>	<u>-</u>	<u>975</u>
Weighted-average number of ordinary shares - diluted (expressed in thousands of shares)	<u>162,628</u>	<u>185,741</u>	<u>164,964</u>	<u>186,194</u>
Expressed in New Taiwan dollars	\$ <u>0.21</u>	<u>0.18</u>	<u>(0.05)</u>	<u>0.50</u>

Note: For six months ended June 30, 2017, potential ordinary shares were ignored in calculating diluted earnings per share as the effects of anti-dilution.

In computing above basic earnings (loss) per share of ordinary stock for six months ended June 30, 2017 and 2016, 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 were as follows:

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Sales of goods	\$ <u>746,918</u>	<u>822,467</u>	<u>1,473,781</u>	<u>1,710,756</u>

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

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

For the three months and six months ended June 30, 2017, the compensation of employees was both estimated \$147, the remuneration of Directors and Supervisors was both estimated \$88. For the three months and six months ended June 30, 2016, the compensation of employees were estimated \$2,254 and \$5,979. Respectively, the remuneration of Directors and Supervisors were estimated \$1,352 and \$3,587, respectively; The compensation of employees and remuneration of Directors' and supervisors' were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of Directors' and supervisors', multiplied by the appropriate percentage in compliance with the Company's article. These expenses were recognized in operating costs and operation expensed for the respective period.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. In the Company's Board of Directors resolve to issue its stocks as the compensation of employees, it will be calculated as per the closing price of its stock on the day before the Board of Directors.

The accrued compensation of employees amounted to \$11,500 and 14,371 for 2015 and 2016 financial reports, respectively, and the accrued remuneration of directors' and supervisor's amounted to \$6,900 and \$8,623, respectively. Actual distribution had no difference with accrued amounts. For related information, please go to website: <http://emops.com.tw>.

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

Other operating income and expenses were rental revenue.

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

##### (i) Other income

Details of other income were as follows:

	April to June,2017	April to June,2016	January to June,2017	January to June,2016
Interest income				
Bank deposits	\$ 3,209	759	5,455	1,200
Other loans and receivables	40	66	80	134
Dividend Revenue	304	898	584	1,177
Others	(25)	3,990	129	4,703
	<u>\$ 3,528</u>	<u>5,713</u>	<u>6,248</u>	<u>7,214</u>

##### (ii) Other gains and losses

Details of other gains and losses were as follows:

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Foreign exchange gains (losses), net	\$ 10,834	3,217	(56,197)	(7,553)
Net gains on disposal of investments and financial liability				
Net gains on disposal of Available-for-sale financial assets	542	807	2,512	3,106
Net gains on disposal of financial assets at fair value through profit or loss	1,766	3,441	(13,275)	2,148
Net gains on disposal of fixed asset	568	371	568	371
Reveral gain on impairment loss of investment property	5,664	-	5,664	-
Others	(1,757)	(27)	(3,001)	(27)
	<u>\$ 17,617</u>	<u>7,809</u>	<u>(63,729)</u>	<u>(1,955)</u>

##### (iii) Finance costs

Details of finance costs were as follows:

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Interest expenses				
Bank loans	\$ 2,407	2,950	4,345	5,848

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

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

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Available-for-sale financial assets				
Net change in fair value occurred in current year	\$ 15,958	(9,778)	37,234	(3,874)
Net change in fair value reclassified to income	(571)	(807)	(2,728)	(3,106)
Net change in fair value recognized in other comprehensive income	<u>\$ 15,387</u>	<u>(10,585)</u>	<u>34,506</u>	<u>(6,980)</u>

#### (y) Financial instruments

There was no significant change of the Group's fair value of financial instruments, exposure to credit risk, liquidity risk and market risk except below statements. Please refer to Note 6(y) of 2016 consolidated financial statements.

##### (i) Credit risk

###### 1. Exposure to credit risk

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

###### 2. Concentration of credit risk

The Group has vast customers and does not concentrate its business with one customer. In order to reduce credit risk of account receivables, the Group will consecutively evaluate the financial status of each customer and will request customer to prepay if necessary.

The Group has no significant concentration of its accounts receivable as of June 30, 2017, December 31, 2016 and June 30, 2016

##### (ii) Liquidity risk

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

	Carry amount	Contracted cash flows	Due within 6 months	Due in 6-12months	Due in 1-2 years	Due in 2-5 years	Due in over 5 years
<b>June 30, 2017</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 322,000	(322,630)	(268,118)	(54,512)	-	-	-
Unsecured loans (floating rate)	588,876	(589,423)	(589,423)	-	-	-	-
Accounts payable(non-interest bearing)	379,455	(379,455)	(379,455)	-	-	-	-
Notes payable (non-interest bearing)	1,560	(1,560)	(1,560)	-	-	-	-
Other payable (non-interest bearing)	150,356	(150,356)	(150,356)	-	-	-	-
Guarantee deposits received (non-interest bearing)	160	(160)	(6)	-	-	(154)	-
	<u>\$ 1,442,407</u>	<u>(1,443,584)</u>	<u>(1,388,918)</u>	<u>(54,512)</u>	<u>-</u>	<u>(154)</u>	<u>-</u>
<b>December 31, 2016</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 382,000	(382,144)	(382,144)	-	-	-	-
Unsecured loans (floating rate)	330,000	(330,148)	(330,148)	-	-	-	-
Accounts payable(non-interest bearing)	344,224	(344,224)	(344,224)	-	-	-	-
Notes payable (non-interest bearing)	2,203	(2,203)	(2,203)	-	-	-	-
Other payable (non-interest bearing)	87,760	(87,760)	(87,760)	-	-	-	-
Guarantee deposits received (non-interest bearing)	160	(160)	-	-	-	(160)	-
	<u>\$ 1,146,347</u>	<u>(1,146,639)</u>	<u>(1,146,479)</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<u>Carry amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 years</u>	<u>Due in over 5 years</u>
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 326,239	(329,496)	(110,196)	(219,300)	-	-	-
Unsecured loans (floating rate)	575,197	(575,537)	(575,537)	-	-	-	-
Accounts payable(non-interest bearing)	339,317	(339,317)	(339,317)	-	-	-	-
Notes payable (non-interest bearing)	2,863	(2,863)	(2,863)	-	-	-	-
Other payable (non-interest bearing)	154,284	(154,284)	(154,284)	-	-	-	-
Guarantee deposits received (non-interest bearing )	160	(160)	-	-	-	(160)	-
	<u>\$ 1,398,060</u>	<u>(1,401,657)</u>	<u>(1,182,197)</u>	<u>(219,300)</u>	<u>-</u>	<u>(160)</u>	<u>-</u>

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

#### (iii) Market Risk

##### a. Exchange rate risk

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

	<u>2017.6.30</u>			<u>2016.12.31</u>			<u>2016.6.30</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>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD amount</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 52,351	30.42	1,592,510	46,679	32.25	1,505,389	46,680	32.275	1,506,605
JPY	10,733	0.2716	2,915	47,505	0.2756	13,092	44,756	0.3143	14,067
CNY	2,072	4.486	9,295	4,165	4.617	19,231	6,672	4.845	32,327
<u>Non-Monetary item</u>									
USD	10,378	30.42	315,710	6,635	32.25	213,985	11,661	32.275	376,356
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
NTD	4,951	1	4,951	-	-	-	64	1	64
USD	10,519	30.42	319,980	8,961	32.25	288,995	9,643	32.275	311,233
JPY	24,696	0.2716	6,707	22,992	0.2756	6,337	24,669	0.3143	7,754

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans, accounts payable, bonds payable and other payables. As of June 30, 2017 and 2016, 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 \$10,540 and \$7,438, respectively.

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain or loss of monetary items. For the three months and six months ended June 30, 2017 and 2016, the exchange loss and profit (including realized and unrealized) that resulted from monetary items translated to the functional currency was profit \$10,834, Profit \$3,217, loss \$56,197 and loss \$7,533, respectively.



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### b. Interest rate risk

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

The sensitivity analysis of interest was made based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates was prepared based on the assumption that the outstanding amount at the reporting date had existed for the whole year.

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

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

January to June, 2017		January to June, 2016	
Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
After-tax loss	After-tax loss	After-tax profit	After-tax profit
\$ <b>38</b>	<b>38</b>	<b>48</b>	<b>48</b>

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

#### c. Other price risk

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

Equity price at reporting date	January to June, 2017		January to June, 2016	
	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after-tax	Net profit (loss)
Increase 3%	\$ <b>13,047</b>	-	<b>15,424</b>	-
Decrease 3%	\$ <b>(13,047)</b>	-	<b>(15,424)</b>	-

#### (iv) Fair value

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

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

	2017.6.30				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>					
Swap Contracts	\$ 2,355	-	2,355	-	2,355
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	227,334	227,334	-	-	227,334
Open-end fund	260,799	260,799	-	-	260,799
Financial assets carried at cost	185,000	-	-	-	-
	673,133				



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	2016.6.30				
	Carrying	Fair value			Total
	Amount	Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
ECB	\$ 65,256	65,256	-	-	65,256
Swap Contracts	<u>246</u>	-	246	-	246
	<u>65,502</u>				
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	232,425	232,425	-	-	232,425
Open-end fund	345,650	345,650	-	-	345,650
Financial assets carried at cost	<u>185,000</u>	-	-	-	-
	<u>763,075</u>				
<b>Loan and receivables</b>					
Cash and Cash equivalent	955,996	-	-	-	-
Debt instrument without active market	1,517	-	-	-	-
Account Receivables	486,970	-	-	-	-
Other Account Receivables	33,251	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	<u>9,117</u>	-	-	-	-
	<u>1,486,851</u>				
<b>Total financial assets</b>	<b><u>\$ 2,315,428</u></b>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 901,436	-	-	-	-
Notes payable	2,863	-	-	-	-
Account payable	339,317	-	-	-	-
Other payable	154,284	-	-	-	-
Guarantee deposits received	<u>160</u>	-	-	-	-
<b>Total financial liabilities</b>	<b><u>\$ 1,398,060</u></b>				

- b. The Group measures its assets and liabilities use input observable market data. The fair value hierarchy categorizes the inputs used in valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.
  - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
  - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)..
- c. Valuation techniques and assumptions unused in fair value determination

The methodology and assumptions used by the Group to estimate without using fair-value measures as follows:

For financial liabilities as measured at amortized cost, if there is a quotation for a transaction or market marker, the latest transaction price and quotation information are used as a basis for assessing the fair value; if no market value for reference, use evaluation method to estimate. The estimate and assumptions used in the evaluation method are to estimate the fair value according to the discounted value of the cash flow. Because of the short maturities of these instruments, the Group estimates that the carrying amount is a reasonable approximation of fair value.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### d. Valuation techniques and assumptions used in fair value determination

##### Non-derivative instruments

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

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

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

##### Derivative instruments

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

#### e. Transfer between level 1 and level 2

There was no transfer between the fair value hierarchy levels for the six months ended June 30, 2017 and 2016.

#### (z) Financial risk management

There was no significant change of the Group's financial risk management objectives and policy disclosed in 2016 consolidated report. Please refer to Note 6(z) of 2016 consolidated financial statements.

#### (aa) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2016 consolidated financial statements. Further, there was no significant change of the summary quantitative information as disclosed in 2016 consolidated financial statements. Please refer to Note 6(aa) of 2016 consolidated financial statements.

### 7. Transactions with Related Parties

#### Compensation of key management personnel

The information on key management personnel compensation was as follows:

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Short-term employee benefits	\$ 4,392	6,349	9,653	14,130
Post-employment benefits	118	144	254	288
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 4,510</u>	<u>6,493</u>	<u>9,907</u>	<u>14,418</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

As of June 30, 2017 and 2016, the Group provided five and four of their own cars and a rental car for their key management personnel to use. The book value of those cars amounted to \$8,812 and 10,487, respectively as of June 30, 2017 and 2016, and the rental car expense amounted to \$226, \$226, \$452 and \$452, respectively for the six months ended June 30, 2017 and 2016.

#### 8. Pledged Asset

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

<u>Pledged Assets</u>	<u>Purpose</u>	<u>2017.6.30</u>	<u>2016.12.31</u>	<u>2016.6.30</u>
Bond investments without active— current— time deposits	Guarantee for customs and government grants	\$ 1,514	1,014	1,006
Property, plant and equipment — buildings	Guarantee for long-term borrowings	-	-	232,570
Property, plant and equipment — machinery and equipment	Guarantee for long-term borrowings	-	-	79,845
Investment property	Guarantee for short-term borrowings	19,761	14,277	14,458
Bond investments without active market-current — Certificate Deposit	Guarantee for short-term borrowings	292,032	419,414	-
Other financial assets — noncurrent time deposits	Guarantee Letter of Credit for lease contract	559	1,107	511
		<u>\$ 313,866</u>	<u>435,812</u>	<u>328,390</u>

#### 9. Commitments and Contingencies

(a) As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$21,636, \$18,298 and \$16,735, respectively.

(b) As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group has signed contracts for the purchase of equipment. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$14,235, \$9,500 and \$2,221, respectively.

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

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 12. Others

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

	April to June, 2017			April to June, 2016		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	81,914	41,082	122,996	96,052	48,646	144,698
Labor and health insurance	9,657	3,300	12,957	9,898	3,075	12,973
Pension expense	6,113	2,403	8,516	6,048	2,446	8,494
Other personnel cost	6,884	1,424	8,308	7,089	1,358	8,447
Depreciation	22,736	1,253	23,989	26,819	1,412	28,231
Amortization	145	128	273	147	87	234

	January to June, 2017			January to June, 2016		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	163,029	82,913	245,942	199,143	98,759	297,902
Labor and health insurance	20,252	6,796	27,048	20,701	6,521	27,222
Pension expense	11,937	4,828	16,765	12,058	4,894	16,952
Other personnel cost	13,794	2,914	16,708	14,570	2,948	17,518
Depreciation	46,451	2,460	48,911	54,039	2,929	56,968
Amortization	327	254	581	314	200	514

(b) Seasonal operation:

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

#### 13. Supplementary Disclosure Requirements

(a) Information on significant transactions:

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the six months ended June 30, 2017 were as follows:

(i) Loans extended to other parties: None.

(ii) Guarantees provided to other parties: None.

(iii) Securities owned as of June 30, 2017 (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	June 30, 2017				Remarks
				Units (shares)	Carrying Value	Ratio	Market value (or net equity value)	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	10,000	5.00%	(Note 1)	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.23%	(Note 1)	-
The Company	Apple Inc. stock	-	Available-for-sale financial assets – current	16,000	70,097	-		70,097
The Company	Innolux Corp. stock	-	Available-for-sale financial assets – current	1,147,089	18,239	0.01%		18,239
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	300,000	14,535	-		14,535
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets – current	250,000	16,925	0.05%		16,925
The Company	Taiwan Cement Corp., Ltd. stock	-	Available-for-sale financial assets – current	300,000	10,560	0.01%		10,560
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets – current	474,600	16,184	0.03%		16,184
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets – current	216,000	20,585	0.01%		20,585
The Company	Mega Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	555,000	14,041	-		14,041

# 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	June 30, 2017				Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	
The Company	Coasia Microelectronics Corp. stock	-	Available-for-sale financial assets – current	441,508	7,086	0.32%	7,086	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	241,000	6,567	0.39%	6,567	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx (A)	-	Available-for-sale financial assets – current	2,000,000	17,542	-	17,542	-
The Company	Edmond de Rothschild Europe Convertibles (B) USD	-	Available-for-sale financial assets – current	8,468.12	26,427	-	26,427	-
The Company	JPM Global Income A (acc)	-	Available-for-sale financial assets – current	11,490.71	61,541	-	61,541	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	94,696.97	61,359	-	61,359	-
The Company	Fidelity Funds - Euro Balanced Fund	-	Available-for-sale financial assets – current	88,226.18	31,938	-	31,938	-
The Company	USB US High Yield Fund(USD)	-	Available-for-sale financial assets – current	3,700.00	31,228	-	31,228	-
The Company	BlackRock Emerging Market Bond Fund A2 (USD)	-	Available-for-sale financial assets – current	56,561.09	30,764	-	30,764	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	14,988	0.90%	14,988	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Available-for-sale financial assets – current	101,500	768	0.02%	768	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	5,346,672	52,130	2.92%	52,130	(Note 2)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	1.47%	(Note 1)	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	10,355	0.62%	10,355	-
Bae Haw Investment Development Corp.	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	3,447,716	33,616	1.88%	33,616	(Note 2)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	6,000,000	150,000	13.38%	(Note 1)	-
Ying Cheng Investment Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	235,000	6,404	0.38%	6,404	-

Note 1: Fair value can not be reasonably estimated and realizably measured.

Note 2: It was eliminated in the consolidation.

- (iv) Accumulated trading amount of a single security in excess of \$300 million or 20% of the Company's issued share capital: None.
- (v) Acquisition of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None.
- (vi) Disposal of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None
- (vii) Sales to and purchases from related parties in excess of \$100 million or 20% of issued share capital was as follows:

Purchasing (selling) company	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Co., U.S.A. (EDTA)	Subsidiary of the Company	Sale	(559,045)	(38.93)%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. was not significantly different from those offered to other customers.	The price is not significantly different from the general trading customers, credit duration is set one to three months for general trade and three months for EDTA. Considering the special trading practices in North American market, the Group set slightly longer credit duration for EDTA.	298,235	54.08%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	167,941	21.18%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Group is the only entity the subsidiary provides processing service to.	(122,593)	(28.40)%	(Note)
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	559,045	100.00%	3 months	The Group is the major supplier for Emerging Display Technologies Co., U.S.A. There is no comparable transaction.	The Group is the major supplier for Emerging Display Technologies Co., U.S.A.	(298,235)	(100.00)%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	(167,941)	(100.00)%	1-3 months	The Group is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Group is the only entity the subsidiary provides processing service to.	122,593	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	169,300	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(79,745)	(76.89)%	(Note)

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### Notes to consolidated financial statements

Purchasing (selling) company	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	(169,300)	(100.00)%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	79,745	100.00%	(Note)

Note: It was eliminated in the consolidation.

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

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Account Receivables of 298,235	3.71	-	-	30,476	-	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Account Receivables of 122,593	2.94	-	-	40,174	-	(Note)

Note: It was eliminated in the consolidation.

- (ix) Derivative financial instrument transactions:

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

- (x) Significant inter-company transactions:

No. No.	Name	Counterparty	Relationship (Note)	Details of transaction			% of total consolidated revenue or total asset
				Subject	Amount	Term of trading	
0	The Company	Emerging Display Technologies Co., U.S.A. (EDTA)	1	Sales revenue Accounts receivable	559,045 298,235	The price is not significantly different from the general trading customers, credit duration is set one to three months for general trade and three months for EDTA. Considering the special trading practices in North American market, the Group set slightly longer credit duration for EDTA.	37.93% 8.50%
0	The Company	Tremendous Explore Corp.	1	Processing cost Accounts receivable	167,941 122,593	No non-related-party transaction to compare to.	11.40% 3.50%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses-Commission Other payable	638 521	No non-related-party transaction to compare to.	0.04% 0.01%
0	The Company	EDT-Europe ApS	1	Selling expenses-Commission Other payable	25,930 1,828	No non-related-party transaction to compare to.	1.76% 0.05%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses-Commission	2,037	No non-related-party transaction to compare to.	0.14%
0	The Company	EDT-Japan Corp.	1	Selling expenses-Commission Other payable	4,901 671	No non-related-party transaction to compare to.	0.33% 0.02%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing revenue Accounts receivable	169,300 79,745	No non-related-party transaction to compare to.	11.49% 2.27%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	77,778	No non-related-party transaction to compare to.	5.28%



# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Note: Relationship notes as follows:

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

### (b) Information on investees

Relevant information about investees for the six months ended June 30, 2017 is as follows:  
(excluding investments in Mainland China)

Name of investors	Name of investees	Location	Business scope	Original cost of investment		Balance as of June 30, 2017			Net income (loss) of the investee	Investment income (loss) recognized	Remark
				2017.6.30	2016.12.31	Shares	Ratio	Carrying value			
The Company	Emerging Display Technologies Co., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	63,612 (Note 1)	(6,784)	(7,559)	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	87,271	426	334	Subsidiary (Note 2 and 3)
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	2,359	966	966	Subsidiary (Note 2 and 3)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(4,359)	(157)	(157)	Subsidiary (Note 2 and 3)
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,107	29	29	Subsidiary (Note 2 and 3)
The Company	EDT-Japan Corp.	Japan	Trading	17,401	17,401	5,000	100.00%	5,269	(1,361)	(1,361)	Subsidiary (Note 2 and 3)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	31,538	15	15	Subsidiary (Note 2 and 3)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	30,262	39	39	Subsidiary (Note 2 and 3)
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	84,756	(10)	(5)	Subsidiary (Note 2 and 3)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,560	426	25	Subsidiary (Note 2 and 3)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	12,687	426	49	Subsidiary (Note 2 and 3)

Note 1: It was deducted unrealized profit from sales \$8,836.

Note 2: It was eliminated in the consolidation.

Note 3: The investment profit or loss and the investment value are calculated according to the invested company's own settlement of the financial quarterly report without the accountant's audit.

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

#### (1) Related information regarding investments in Mainland China

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

Investee Group	Main business and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2017	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of June 30, 2017	Net income of investee	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group	Book value of the investment as of June 30, 2017	Accumulated investment income repatriated to Taiwan as of June 30, 2016
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (US\$ 7,625,300)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$ 6,746,936) (Note1)	-	-	219,225 (US\$ 6,746,936)	781	95.80% (Note2)	748 Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	97,971 (Note4)	-

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(2) Limitation on investment in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of June 30, 2017	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
210,953(Note8) (US\$6,934,668) (Note 5)	424,412(Note8) (US\$13,951,732 元) ( Note6)	1,155,613(Note7)

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 \$46 which was recognized by Ying Dar Investment Development Corp. and a loss of \$89 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$6,034 which was invested by Ying Dar Investment Development Corp. and \$11,669 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 \$50,201 for Ying Dar Investment Development Corp. and \$38,326 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at June 30, 2017.

(3) Significant transactions:

The significant inter-Group transactons with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in "information on significant reansactions" for the six months ended June 30, 2017.

#### 14.Segment Information

Reportable segment information is as follows:

	April to June, 2017					
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 436,406	310,188	-	324	-	746,918
Sales among consolidated entities	307,754	275	97,376	17,201	(422,606)	-
Total revenue	<u>\$ 744,160</u>	<u>310,463</u>	<u>97,376</u>	<u>17,525</u>	<u>(422,606)</u>	<u>746,918</u>
Segment Income	<u>\$ 51,736</u>	<u>(4,005)</u>	<u>4,654</u>	<u>923</u>	<u>8</u>	<u>53,316</u>

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

### April to June, 2016

	Domestic	Noth America	Mainland Chian	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 436,781	385,534	-	152	-	822,467
Sales among consolidated entities	353,215	550	92,249	17,374	(463,388)	-
<b>Total revenue</b>	<b>\$ 789,996</b>	<b>386,084</b>	<b>92,249</b>	<b>17,526</b>	<b>(463,388)</b>	<b>822,467</b>
<b>Segment Income</b>	<b>\$ 42,963</b>	<b>(945)</b>	<b>2,783</b>	<b>(103)</b>	<b>(4,495)</b>	<b>40,203</b>

### January to June, 2017

	Domestic	Noth America	Mainland Chian	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 876,858	596,503	-	420	-	1,473,781
Sales among consolidated entities	559,045	638	167,941	32,867	(760,491)	-
<b>Total revenue</b>	<b>\$ 1,435,903</b>	<b>597,141</b>	<b>167,941</b>	<b>33,287</b>	<b>(760,491)</b>	<b>1,473,781</b>
<b>Segment Income</b>	<b>\$ 10,724</b>	<b>(6,803)</b>	<b>174</b>	<b>(350)</b>	<b>(795)</b>	<b>2,950</b>

### January to June, 2016

	Domestic	Noth America	Mainland Chian	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 901,732	808,763	-	261	-	1,710,756
Sales among consolidated entities	726,677	1,097	198,356	35,344	(961,474)	-
<b>Total revenue</b>	<b>\$ 1,628,409</b>	<b>809,860</b>	<b>198,356</b>	<b>35,605</b>	<b>(961,474)</b>	<b>1,710,756</b>
<b>Segment Income</b>	<b>\$ 100,325</b>	<b>(2,006)</b>	<b>6,727</b>	<b>88</b>	<b>6,690</b>	<b>111,824</b>

	Domestic	Noth America	Mainland Chian	Other operating Department	Adjustments and Eliminations	Total
<b>Segment Assets</b>						
June 30, 2017	\$ 3,362,199	377,986	184,583	16,133	(434,085)	3,506,816
December 31, 2016	\$ 3,305,133	399,735	170,394	18,313	(439,727)	3,453,848
June 30, 2016	\$ 3,582,800	427,844	239,200	21,010	(641,264)	3,629,590
<b>Segment Liabilities</b>						
June 30, 2017	\$ 1,672,624	305,671	86,676	7,398	(425,382)	1,646,987
December 31, 2016	\$ 1,438,965	315,942	69,836	8,905	(420,469)	1,413,179
June 30, 2016	\$ 1,683,454	342,803	124,479	8,516	(519,131)	1,640,121

## **EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

### **Notes to consolidated financial statements**

The following is the explanation of material reconciliation item:

1. For the three months and six months ended June 30, 2017 and 2016, the operating segments revenue eliminated from the consolidated entities were \$422,066, \$463,388, \$760,491 and \$961,474, respectively.
2. For the three months and six months ended June 30, 2017 and 2016, the operating segments depreciation and amortization eliminated from the consolidated entities were loss \$8, profit \$4,495, profit \$795 and loss 6,690, respectively.
3. As of June 30, 2017, December 31, 2016 and June 30, 2016, the operating segments assets eliminated from the consolidated entities were \$434,085, \$439,727 and \$641,264, respectively.
4. As of June 30, 2017, December 31, 2016 and June 30, 2016, the operating segments liabilities eliminated from the consolidated entities were \$425,382, \$420,469 and \$519,131, respectively.