

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

**EMERGING DISPLAY TECHNOLOGIES CORP.
AND SUBSIDIARIES**

**Consolidated Financial Statements
For the three months ended March 31, 2017 and 2016**

(With Independent Auditors' Review Report Thereon)

**Address: No. 5, Central 1st Rd., Kaohsiung Export Processing
Zone, Kaohsiung, Taiwan, R.O.C.**

Telephone: 886-7-812-4832

Table of contents

Contents	Page
1. Cover page	1
2. Table of contents	2
3. Independent auditor's report	3
4. Consolidated balance sheets	4
5. Consolidated statements of comprehensive income	5
6. Consolidated statements of changes in stockholder's equity	6
7. Consolidated statements of cash flows	7
8. Notes to the consolidated financial statements	
(1) Organization and business scope	8
(2) Financial statements authorization date and authorization process	8
(3) Application of New and Revised International Financial Reporting Standards and Interpretations	8~11
(4) Summary of significant accounting policies	12~13
(5) Significant Accounting Judgments, Estimates, and Assumptions, and Sources of Estimation Uncertainty	13
(6) Explanation of significant accounts	13~34
(7) Transactions with Related Parties	34
(8) Pledged assets	35
(9) Commitments and contingencies	35
(10) Losses due to major disasters	35
(11) Significant subsequent events	35
(12) Other	36
(13) Supplementary Disclosure Requirements	
(a) Information on significant transactions	36~38
(b) Information on investees	38
(c) Information on investment in Mainland China	39
(14) Segment information	40~41

Independent Auditors' Review Report

The Board of Directors
Emerging Display Technologies Corp.

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Group'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 Group 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 \$283,812 thousand and \$297,270 thousand, representing 8.32% and 8.77% of the Group's consolidated total assets as of March 31, 2017 and 2016. Total liabilities of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$76,208 thousand and \$81,125 thousand, representing 4.97% and 6.10% of the Group's consolidated total liabilities as of March 31, 2017 and 2016. The comprehensive income and loss of these subsidiaries (after eliminating after-tax effects resulting from internal transactions between affiliated companies) were loss \$4,713 thousand and income 13,371 thousand, representing 13.90% and 21.57% of the Group's consolidated comprehensive income and loss for the three months ended March 31, 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.
May 9, 2017

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2017 and 2016

(expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

ASSET	2017.3.31		2016.12.31		2016.3.31	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
CURRENT ASSET :						
Cash and cash equivalent (Note 6(a))	\$ 805,675	24	744,653	22	645,334	19
Financial assets at fair value through profit or loss-current (Note 6(b))	49	-	4,655	-	64,249	2
Available-for-sale financial assets – current (Note 6(c))	475,738	14	408,905	12	603,375	18
Bond investments without active market-current (Notes 6(d) and 8)	277,868	8	420,428	12	1,014	-
Accounts receivable, net (Note 6(f))	377,955	11	376,421	11	441,935	13
Other receivables (Note 6(f))	19,180	1	19,602	-	17,520	1
Current tax assets	2,962	-	2,782	-	2,479	-
Inventories (Note 6(g))	749,814	22	754,529	22	821,420	24
Other current assets (Note 6(h))	16,603	-	20,814	1	36,990	1
Total current assets	2,725,844	80	2,752,789	80	2,634,316	78
NONCURRENT ASSET :						
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	6	185,000	6	185,000	5
Property, plant and equipment (Notes 6(j) and 8 and 9)	437,238	13	459,027	13	510,512	15
Investment Property (Notes 6(k) and 8)	16,957	-	17,047	-	17,317	1
Intangible assets (Note 6(l))	3,741	-	3,868	-	3,280	-
Deferred tax assets	33,025	1	25,898	1	30,045	1
Prepayments on purchase of equipment	1,016	-	377	-	129	-
Other non-current financial assets (Notes 6(d) and 6(f) and 8)	9,141	-	9,842	-	9,721	-
Total noncurrent assets	686,118	20	701,059	20	756,004	22
TOTAL	\$ 3,411,962	100	3,453,848	100	3,390,320	100

LIABILITIES AND EQUITY	2017.3.31		2016.12.31		2016.3.31	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
CURRENT LIABILITY :						
Short-term loans (Notes 6(l) and 8)	\$ 884,045	26	712,000	21	331,422	10
Financial liabilities at fair value through profit or loss (Notes 6(b))	5,995	-	-	-	2,310	-
Notes payable	1,848	-	2,203	-	3,149	-
Accounts payable	353,708	10	344,224	10	405,189	12
Other payables	165,873	5	228,455	6	216,805	6
Current tax liabilities	13,446	-	13,485	-	2,961	-
Long-term loans, current portion (Note 6(n) and 8)	-	-	-	-	254,800	8
Other current liabilities	17,825	1	21,335	1	26,653	1
Total current liabilities	1,442,740	42	1,321,702	38	1,243,289	37
NONCURRENT LIABILITIES :						
Deferred tax liabilities	2,812	-	2,812	-	2,539	-
Net Defined Benefit liabilities-noncurrent	87,879	3	88,505	3	84,183	2
Guarantee deposits received	160	-	160	-	160	-
Total noncurrent liabilities	90,851	3	91,477	3	86,882	2
Total liabilities	1,533,591	45	1,413,179	41	1,330,171	39
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 6 (r) and 11) :						
Capital stock	1,894,076	56	1,949,076	56	2,009,076	60
Capital surplus	28,920	1	33,663	1	31,097	1
Retained earnings	296,099	8	338,384	10	276,085	8
Other equity interest	(79,553)	(2)	(87,612)	(3)	(96,571)	(3)
Treasury stocks	(341,848)	(10)	(273,209)	(7)	(240,190)	(7)
Total equity attributable to shareholders of parent	1,797,694	53	1,960,302	57	1,979,497	59
Non-controlling interests(Notes 6(i))	80,677	2	80,367	2	80,652	2
Total equity	1,878,371	55	2,040,669	59	2,060,149	61
TOTAL	\$ 3,411,962	100	3,453,848	100	3,390,320	100

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2017 and 2016

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

	For the three months ended March 31			
	2017		2016	
	Amount	%	Amount	%
Operating revenue (Notes 6(t))	\$ 726,863	100	888,289	100
Operating cost (Notes 6(g), (p), (u) and (l))	600,686	83	697,687	79
Gross profit	<u>126,177</u>	<u>17</u>	<u>190,602</u>	<u>21</u>
Operating expenses (Note 6(p), (u) and (l)):				
Selling expenses	45,286	6	48,690	5
General and administrative expenses	30,285	4	36,044	4
Research and development expenses	20,717	3	23,380	3
	<u>96,288</u>	<u>13</u>	<u>108,114</u>	<u>12</u>
Net other income (Note 6(v))	309	-	274	-
Operating profit	<u>30,198</u>	<u>4</u>	<u>82,762</u>	<u>9</u>
Non-operating income and expenses (Note 6(w)):				
Other income	2,720	-	1,501	-
Other gains and losses, net	(81,346)	(11)	(9,744)	(1)
Finance costs	(1,938)	-	(2,898)	-
	<u>(80,564)</u>	<u>(11)</u>	<u>(11,141)</u>	<u>(1)</u>
Profit before tax	(50,366)	(7)	71,621	8
Total tax expense(profit)(Note 6(q))	<u>(8,032)</u>	<u>(1)</u>	<u>12,112</u>	<u>1</u>
Net Profit(loss)	<u>(42,334)</u>	<u>(6)</u>	<u>59,509</u>	<u>7</u>
Other comprehensive income :				
Items that will be reclassified into profit or loss:				
Foreign currency translation difference(Note 6(r))	(9,793)	(1)	(1,800)	-
Unrealized gain (loss) on available-for-sale financial assets (Note 6(x))	19,119	2	3,605	-
Less: Income tax related to items that will be reclassified subsequently (Note 6(q))	908	-	(674)	-
	<u>8,418</u>	<u>1</u>	<u>2,479</u>	<u>-</u>
Other comprehensive income, net	<u>8,418</u>	<u>1</u>	<u>2,479</u>	<u>-</u>
Comprehensive income	<u>\$ (33,916)</u>	<u>(5)</u>	<u>61,988</u>	<u>7</u>
Profit (loss) attributable to				
Shareholders of parent	\$ (42,285)	(6)	59,148	7
Non-controlling interests	(49)	-	361	-
Net Profit(loss)	<u>\$ (42,334)</u>	<u>(6)</u>	<u>59,509</u>	<u>7</u>
Comprehensive income attributable to				
Shareholders of parent	\$ (34,226)	(5)	61,578	7
Non-controlling interests	310	-	410	-
Total Comprehensive income	<u>\$ (33,916)</u>	<u>(5)</u>	<u>61,988</u>	<u>7</u>
Earnings per share (Note 6(s))(expressed in New Taiwan Dollars):				
Basic earnings per share	<u>\$ (0.25)</u>		<u>0.31</u>	
Diluted earnings per share	<u>\$ (0.25)</u>		<u>0.31</u>	

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the three months ended March 31, 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		Treasury stock	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 asset				
Balance as of January 1, 2016	\$ 2,149,076	27,955	-	-	216,937	9,532	(108,533)	(259,140)	2,035,827	80,242	2,116,069
Net profit for the three months ended March 31, 2016	-	-	-	-	59,148	-	-	-	59,148	361	59,509
Other comprehensive income(loss) for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	(1,776)	4,206	-	2,430	49	2,479
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	59,148	(1,776)	4,206	-	61,578	410	61,988
Repurchase of treasury stock	-	-	-	-	-	-	-	(117,908)	(117,908)	-	(117,908)
Cancellation of treasury stock	(140,000)	3,142	-	-	-	-	-	136,858	-	-	-
Balance as of March 31, 2016	\$ 2,009,076	31,097	-	-	276,085	7,756	(104,327)	(240,190)	1,979,497	80,652	2,060,149
Balance as of January 1, 2017	\$ 1,949,076	33,663	21,614	96,448	220,322	(293)	(87,319)	(273,209)	1,960,302	80,367	2,040,669
Net profit for the three months ended March 31, 2017	-	-	-	-	(42,285)	-	-	-	(42,285)	(49)	(42,334)
Other comprehensive income(loss) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(9,594)	17,653	-	8,059	359	8,418
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	(42,285)	(9,594)	17,653	-	(34,226)	310	(33,916)
Repurchase of treasury stock	-	-	-	-	-	-	-	(128,382)	(128,382)	-	(128,382)
Cancellation of treasury stock	(55,000)	(4,743)	-	-	-	-	-	59,743	-	-	-
Balance as of March 31, 2017	\$ 1,894,076	28,920	21,614	96,448	178,037	(9,887)	(69,666)	(341,848)	1,797,694	80,677	1,878,371

See accompanying notes to consolidated financial statements.

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

For the three months ended March 31, 2017 and 2016

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

	For the three months ended March 31	
	2017	2016
Cash flows from operating activities:		
Profit(loss) before tax	\$ (50,366)	71,621
Adjustments:		
Income and expenses having no effect on cash flows:		
Depreciation expense	24,922	28,737
Amortization expense	308	280
Provision for bad debt expense	(225)	288
Net gain on financial assets or liabilities at fair value through profit or loss	10,601	4,377
Interest expense	1,938	2,898
Interest income	(2,246)	(509)
Dividend income	(280)	(279)
Gain on disposal of investments	(1,970)	(2,299)
Unrealized foreign exchange loss	47,485	8,951
Total adjustments to reconcile profit (loss)	80,533	42,444
Changes in operating assets and liabilities		
Net changes in operating assets:		
Accounts receivable	(16,848)	4,625
Other receivable	548	511
Inventories	(2,601)	7,440
Other current assets	3,861	(3,996)
Total net changes in operating assets	(15,040)	8,580
Net changes in operating liabilities:		
Notes payable	(355)	(44)
Accounts payable	19,578	47,964
Other payables	(60,092)	(42,960)
Other current liabilities	(3,259)	1,050
Net defined benefit liability	(626)	(588)
Other operating liabilities	(44,754)	5,422
Total net changes in operating liabilities	(59,794)	14,002
Total adjustments	20,739	56,446
Cash generated from operating activities	(29,627)	128,067
Interest received	2,118	558
Dividends received	280	279
Interest paid	(1,835)	(2,808)
Income taxes paid	(347)	(1,113)
Net cash flows from operating activities	(29,411)	124,983
Cash flows from investing activities:		
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	(94,588)	-
Proceeds from disposal of available-for-sale financial assets	48,843	17,263
Proceeds of Debt Investments Without Active Market	126,579	-
Acquisition of property, plant and equipment	(8,965)	(3,768)
Proceeds of property, plant and equipment	658	-
Acquisition of intangible assets	(181)	(35)
Decrease in other financial assets (Increase)	499	(46)
Increase in prepayments on purchase of equipment	(639)	(129)
Net cash flows used in investing activities	72,206	(2,902)
Cash flows from financing activities:		
Increase in short-term loans (Decrease)	172,053	(267,843)
Repayments of long-term loans	-	(36,400)
Treasury stock acquired	(128,382)	(129,007)
Net cash provided by (used in) financing activities	43,671	(433,250)
Effects of changes in foreign exchange rates	(25,444)	(6,754)
Net increase in cash and cash equivalents	61,022	(317,923)
Cash and cash equivalents at beginning of year	744,653	963,257
Cash and cash equivalents at end of year	\$ 805,675	645,334

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

For the three months ended March 31, 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 three months ended March 31, 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 May 9, 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 conform to the IFRSs, which were issued by the International Accounting Standards Board (IASB) before January 1, 2016 and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IAS</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 IAS 16 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
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

New, Revised or Amended Standards and Interpretations	Effective date per IAS
Annual improvement cycle 2010-2012 and 2011-2013	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

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group’s financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IAS
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Lease”	January 1, 2019
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	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 IFRS 4 "Insurance Contracts"(“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”)	January 1, 2018 日
Annual Improvements to IFRSs 2014-2016 Cycle:	
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2017
Amendments to IFRS 1”First-time Adoption of IFRS” and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018
Amendments to IAS 40 “transfers of investment property”	January 1, 2018

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

Issuance/Release Dates	Standards or interpretation	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: Classification and measurement: <ul style="list-style-type: none"> • Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

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

Issuance/Release Dates	Standards or interpretation	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • 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. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
January 19, 2016	Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	The objective of this project is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. It clarifies that 'taxable profit excluding tax deductions' used for assessing the utilization of deductible temporary differences is different from 'taxable profit on which income taxes are payable'.
January 29, 2016	Amendment to IAS 7 "Disclosure Initiative"	The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from Financing activities, including changes arising from cash flows and non-cash changes.
December 8, 2016	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration.
December 8, 2016	Amendments to IAS 40 "Investment Property"	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 contains examples and is not an exhaustive list.

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.

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

4. Summary of Significant Accounting Policies

(a) Statement of compliance

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

Except below Note 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.

(b) Basis of consolidation

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

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

Name of the Investor	Name of the Subsidiary	Business Activity	Percentage Ownership			Remark
			2017.3.31	2016.12.31	2016.3.31	
The Company	Emerging Display Technologies Co., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	
The Company	EDT-Europe ApS	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	EDT-Japan Corp.	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	investment holding	5.90%	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	investment holding	11.41%	11.41%	11.41%	
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	

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

(c) Income tax

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

(d) Employee benefit

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

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

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

The same critical accounting judgement and key sources of estimation and uncertainty have been followed in these consolidated financial reports as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 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>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Cash and cash equivalents	\$ 309	331	279
Demand deposits	352,948	505,746	631,524
Check deposits	375	3,552	4,022
Time deposits	421,713	235,024	9,509
Cash equivalent	30,330	-	-
Total	<u>\$ 805,675</u>	<u>744,653</u>	<u>645,334</u>

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

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Financial assets at fair value through profit or loss:			
Corporate Bond	\$ -	-	64,249
Financial asset held for trade:			
Swap Contract	49	4,655	-
	<u>\$ 49</u>	<u>4,655</u>	<u>64,249</u>

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

	2017.3.31	2016.12.31	2016.3.31
Financial liabilities at fair value through profit or loss:			
Financial liabilities held for trade:			
Swap Contract	<u>\$ 5,995</u>	<u>-</u>	<u>2,310</u>

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

As of March 31, 2017, December 31, 2016 and March 31, 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:

	2017.3.31		
	Contract amount	Currency	Maturity period
	(Thousand Dollars)		
Swap Contract	USD 10,000	USD to TWD	2017.04.11~2017.06.20
	2016.12.31		
	Contract amount	Currency	Maturity period
	(Thousand Dollars)		
Swap Contract	USD 6,000	USD to TWD	2017.01.06~2017.02.24
	2016.3.31		
	Contract amount	Currency	Maturity period
	(Thousand Dollars)		
Swap Contract	USD 6,000	USD to TWD	2016.04.15~2016.06.14

(c) Available-for-sale financial assets

	2017.3.31	2016.12.31	2016.3.31
Listed stocks in Taiwan	\$ 149,376	181,953	201,659
Foreign listed stocks	69,715	59,763	56,125
Open-end mutual funds	<u>256,647</u>	<u>167,189</u>	<u>345,591</u>
Total	<u>\$ 475,738</u>	<u>408,905</u>	<u>603,375</u>

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 March 31, 2017, December 31, 2016 and March 31, 2016, the book value our Group entrusted to the financial institutions are \$15,950, \$14,050 and \$0 respectively.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(d) Bond investment without active market

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Restricted Certificate Deposit-current	\$ 278,425	421,535	1,523
Current	\$ 277,868	420,428	1,014
Non-current (recorded in other non-current financial assets)	557	1,107	509
Total	<u>\$ 278,425</u>	<u>421,535</u>	<u>1,523</u>

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

(e) Financial assets at cost

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Unlisted stocks	<u>\$ 185,000</u>	<u>185,000</u>	<u>185,000</u>

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

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

(f) Accounts receivable and other receivables

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Account receivable	\$ 400,365	399,069	465,008
Other receivables-current	22,062	22,666	30,234
Other receivables- deposits paid	8,584	8,735	9,213
Less: allowance for doubtful accounts	(25,292)	(25,712)	(35,787)
	<u>\$ 405,719</u>	<u>404,758</u>	<u>468,668</u>
Book as :			
Net account receivables	\$ 377,955	376,421	441,935
Other receivables	19,180	19,602	17,520
Other financial assets	8,584	8,735	9,213
	<u>\$ 405,719</u>	<u>404,758</u>	<u>468,668</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

The aging analysis of unimpaired overdue receivables was as follows:

	2017.3.31	2016.12.31	2016.3.31
1~30 days	\$ 48,110	51,215	72,917
31~90 days	5,501	4,509	8,173
91~270 days	291	318	2,454
More than 271 days	23	50	421
	\$ 53,925	56,092	83,965

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

	Three months ended March 31,2017		
	Separate assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	\$ 25,409	303	25,712
Recognition(reversal) of impairment loss		(225)	(225)
The Effects of Changes in Foreign Exchange Rates	(182)	(13)	(195)
Balance at March 31, 2017	\$ 25,227	65	25,292

	Three months ended March 31,2016		
	Separate assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	\$ 41,940	487	42,427
Recognition of impairment loss	108	180	288
Offset uncollected amount	(6,725)	-	(6,725)
The effects of Changes in Foreign Exchange Rates	(189)	(14)	(203)
Balance at March 31,2016	\$ 35,134	653	35,787

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 March 31, 2017, December 31, 2016 and March 31, 2016, accounts receivable and other receivables were not pledged as collateral.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(g) Inventory

	2017.3.31	2016.12.31	2016.3.31
Raw materials	\$ 193,339	188,683	182,478
Work in process	327,932	310,053	349,741
Finished goods	225,057	250,990	285,733
Inventories in transit	3,486	4,803	3,468
	\$ 749,814	754,529	821,420

Write-down of Inventory to net realized value in the amount of \$3,499 and \$1,971, respectively, were included in the cost of revenue for the three months ended March 31, 2017 and 2016.

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

(h) Other current assets:

	2017.3.31	2016.12.31	2016.3.31
Income tax refund receivable	\$ 1,262	2,526	2,281
Prepayment for purchases	1,422	4,094	5,947
Prepaid expense	10,574	9,096	11,682
Prepaid sales tax	3,345	5,098	17,080
	\$ 16,603	20,814	36,990

(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		
		2017.3.31	2016.12.31	2016.3.31
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:

	2017.3.31	2016.12.31	2016.3.31
Current Asset	\$ 10,340	9,171	8,469
Non-Current Asset	150,000	150,000	150,000
Current Liability	(60)	(60)	(30)
Non-Current liability	-	-	-
Net Asset	\$ 160,280	159,111	158,439
Non-Controlling equity closing book amount	\$ 76,133	75,578	75,259

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to March, 2017	January to March, 2016
Operating revenue	<u>\$ -</u>	<u>-</u>
Net Loss	\$ (6)	(6)
Other comprehensive income	<u>1,175</u>	<u>152</u>
Comprehensive income	<u>\$ 1,169</u>	<u>146</u>
Profit (Loss) attributable to non-controlling interest	<u>\$ (3)</u>	<u>(3)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 555</u>	<u>70</u>
	January to March, 2017	January to March, 2016
Cash flow from operating activities	\$ (7)	(22)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	<u>\$ (7)</u>	<u>(22)</u>

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

	2017.3.31	2016.12.31	2016.3.31
Current Asset	\$ 127,033	127,372	142,555
Non-Current Asset	12,329	14,176	18,758
Current Liability	(31,169)	(27,511)	(32,897)
Non-Current liability	-	-	-
Net Asset	<u>\$ 108,193</u>	<u>114,037</u>	<u>128,416</u>
Non-Controlling equity closing book amount	<u>\$ 4,544</u>	<u>4,789</u>	<u>5,393</u>

	January to March, 2017	January to March, 2016
Operating revenue	<u>\$ 72,019</u>	<u>100,955</u>
Net profit(Loss)	\$ (1,098)	8,663
Other comprehensive income	<u>(4,747)</u>	<u>(564)</u>
Comprehensive income	<u>\$ (5,845)</u>	<u>8,099</u>
Profit(Loss) attributable to non-controlling interest	<u>\$ (46)</u>	<u>364</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (245)</u>	<u>340</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to March, 2017	January to March, 2016
Cash flow from operating activities	\$ 8,302	(2,766)
Cash flow from investing activities	(44)	(27)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	(1,002)	(103)
Increase in cash and cash equivalents	\$ 7,256	(2,896)

(j) Property, plant and equipment

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

	Building and Land	Machinery and construction	office equipment	equipment	Other	Total
Cost or deemed cost:						
Balance at January 1, 2017	\$ 51,334	994,153	2,580,349	31,970	160,152	3,817,958
Additions	-	740	1,675	-	5,600	8,015
Reclassification	-	-	686	-	(686)	-
Disposals	-	-	-	(36)	(1,249)	(1,285)
Effect of movements in exchange rates	(3,057)	(3,334)	(10,425)	(647)	(276)	(17,739)
Balance at March 31, 2017	\$ 48,277	991,559	2,572,285	31,287	163,541	3,806,949
Balance at January 1, 2016	\$ 52,249	995,983	2,705,564	32,418	151,520	3,937,734
Additions	-	-	560	200	1,912	2,672
Reclassification	-	-	2,394	-	(2,394)	-
Disposals	-	-	(624)	(27)	-	(651)
Effect of movements in exchange rates	(1,019)	(615)	(1,144)	(130)	(13)	(2,921)
Balance at March 31, 2016	\$ 51,230	995,368	2,706,750	32,461	151,025	3,936,834
Depreciation and impairment loss:						
Balance at January 1 2017	\$ -	752,899	2,460,290	28,948	116,794	3,358,931
Depreciation for the year	-	3,887	16,938	291	3,716	24,832
Disposals loss	-	-	-	(36)	(591)	(627)
Effect of movements in exchange rates	-	(2,513)	(10,131)	(610)	(171)	(13,425)
Balance at March 31 2017	\$ -	754,273	2,467,097	28,593	119,748	3,369,711
Balance at January 1 2016	\$ -	737,759	2,529,764	28,524	103,877	3,399,924
Depreciation for the year	-	5,137	19,167	320	4,023	28,647
Disposals loss	-	-	(624)	(27)	-	(651)
Effect of movements in exchange rates	-	(354)	(1,107)	(121)	(16)	(1,598)
Balance at March 31, 2016	\$ -	742,542	2,547,200	28,696	107,884	3,426,322
Carrying amounts:						
Balance at January 1, 2017	\$ 51,334	241,254	120,059	3,022	43,358	459,027
Balance at March 31, 2017	\$ 48,277	237,286	105,188	2,694	43,793	437,238
Balance at January 1, 2016	\$ 52,249	258,224	175,800	3,894	47,643	537,810
Balance at March 31, 2016	\$ 51,230	252,826	159,550	3,765	43,141	510,512

As of March 31, 2017, December 31, 2016 and March 31, 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

	Land	Building and construction	Total
Book value detail as below:			
Balance at January 1, 2017	\$ <u>10,079</u>	<u>6,968</u>	<u>17,047</u>
Balance at March 31, 2017	\$ <u>10,079</u>	<u>6,878</u>	<u>16,957</u>
Balance at January 1, 2016	\$ <u>10,079</u>	<u>7,328</u>	<u>17,407</u>
Balance at March 31, 2016	\$ <u>10,079</u>	<u>7,238</u>	<u>17,317</u>

The Group had no significant acquisition, disposal or reversal or write-down of impairment loss of investment property for the three months ended March 31, 2017 and 2016. Please refer to Note 12 for depreciation amount for the three months ended March 31, 2017. Other related information, please refer to Note 6(j) of 2016 consolidated financial statements.

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

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

(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 March 31, 2017	\$ <u>1,903</u>	<u>1,838</u>	<u>3,741</u>
Balance at January 1, 2016	\$ <u>1,938</u>	<u>1,587</u>	<u>3,525</u>
Balance at March 31, 2016	\$ <u>1,903</u>	<u>1,377</u>	<u>3,280</u>

There is no increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the three months ended March 31, 2017 and 2016. Please refer Note 12 for amortization amount for the three months ended March 31, 2017. Other related information, please refer to Note 6(l) of 2016 consolidated financial statements.

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

(m) Short-term loans

The details of short-term loans were as follows:

	2017.3.31	2016.12.31	2016.3.31
Letters of credit	\$ 2,045	-	1,422
Unsecured bank loans	590,000	330,000	330,000
Secured bank loans	<u>292,000</u>	<u>382,000</u>	-
Total	<u>\$ 884,045</u>	<u>712,000</u>	<u>331,422</u>
Unused lines of credit	<u>\$ 1,087,794</u>	<u>1,236,685</u>	<u>1,293,528</u>
Interest rates applied	<u>0.88%~1.10%</u>	<u>0.88%~1.10%</u>	<u>1.18%~1.71%</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(i) Increase and repayment of loan

For the three months ended March 31, 2017 and 2016, the increase amount is \$884,045 and \$331,443 with interest rate 0.88%~1.10% and 1.15%~1.9315% and maturity period is from April, 2017 to September, 2017 and April, 2016 to September, 2016, respectively. Repayment amount is \$712,000 and \$599,286 respectively. Please refer to Note 6(w) for interest expense. Other related information, please refer to Note 6(m) of 2016 consolidated financial statements.

(ii) Collateral for short-term loans

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

As of March 31, 2017, December 31 and March 31, 2016, The Group's acceptance credit for purchases of raw materials and machinery amounted to \$7,287, \$11,017 and \$11,005, respectively.

(n) Long-term loans

The details of long-term loans were as follows:

	2017.3.31	2016.12.31	2016.3.31
Secured bank loans	\$ -	-	254,800
Less: current portion	-	-	(254,800)
Total	\$ -	-	-
Unused lines of credit	\$ 800,000	800,000	-
Interest rates applied	-	-	1.9315%

(i) Violation of loan agreement

As of March 31, 2017, December 31 and March 31, 2016, the Group had 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.

The Group signed a three-year syndicated loan agreements with eight banks, including Taishin international Bank, on 17 November 2016, with a financing limit to TWD 800,000,000 . As of March 31, 2017, the Group has not utilized this loan amount. The financial covenants were as follows:

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

- I. A maximum debt ratio of 150% should be maintained.
- II. A minimum current ratio of 100% should be maintained.
- III. A minimum times interest earned ratio of 2.5 should be maintained.
- IV. Minimum net tangible assets of \$1,600,000 should be maintained.

Also, a long-term loan balance has been fully settled in 2016, which is a three-year syndicated by Group with six banks including E. Sun commercial Bank, on November 2013.

The qualifying clauses of agreement are as follows:

During the period of loan, it is agreed that the Group's annual consolidated financial report shall maintain the following financial ration. If the following requirements are not met, the Consolidated Group shall make adjustments within 9 months after the end of the financial year. If after the adjustments, the accountant reviews that the financial ratios comply with the contract, it is not deemed as breach of contract. During the period of adjustment, the unutilized credit line shall be put on hold until the financial ratios comply with the contract. However, form the next coupon day after notification from the management bank, to the next coupon day when the financial ratios are in compliance with the contract, the lending rate of each credit item in the contract shall increase by a margin of 0.125%. Upon agreement by majority of the banks on the exemption conditions of the borrower, the 0.125% increase in the rate mentioned earlier may be exempted.

- I. A maximum debt ratio of 150% should be maintained.
- II. A minimum current ratio of 100% should be maintained.
- III. A minimum times interest earned ratio of 2.5 should be maintained.
- IV. Minimum net tangible assets of \$1,700,000 should be maintained.

(ii) Collateral for long-term loans

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

(o) Operating lease

There is no increase for Operating lease for the three months ended March 31, 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:

	January to March, 2017	January to March, 2016
Operating cost	\$ 373	440
Selling expenses	16	18
General and administrative expenses	46	55
Research and development expenses	38	42
	\$ 473	555

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(ii) Defined Contribution Plan

Cost recognized in profit or loss is as below:

	January to March, 2017	January to March, 2016
Operating cost	\$ 5,451	5,570
Selling expenses	1,291	1,359
General and administrative expenses	486	448
Research and development expenses	548	526
	\$ 7,776	7,903

(q) Income tax

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

	January to March, 2017	January to March, 2016
Current tax expense	\$ 11	2,732
Deferred tax expense		
Origination and reversal of temporary differences	(8,043)	9,380
Tax expense (benefit)	\$ (8,032)	12,112

No income tax was recognized directly in equity.

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

	January to March, 2017	January to March, 2016
Unrealized gain (loss) on available-for-sale financial assets	\$ (908)	674

(ii) Approval of income tax

The Group's income tax returns for all fiscal years up to 2014 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:

	2017.3.31	2016.12.31	2016.3.31
1997 and prior years	\$ -	-	-
1998 and thereafter	178,037	220,322	276,085
	\$ 178,037	220,322	276,085
Balance of imputation credit	\$ 2,565	2,565	8,268

	2016(Expected)	2015(Actual)
Tax creditable ratio for earnings distributed to residents in R.O.C.	6.17%	4.18%

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(r) Share capital and other equity

The Company had no share capital change for the three months ended March 31, 2017 and 2016 except below statement. Please refer to Note 6(r) of 2016 consolidated financial statements for detail information.

(i) Common Stock

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

As of March 31, 2017, December 31 and March 31, 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 were 189,408 thousand shares, 194,908 thousand shares and 200,907 thousand shares, respectively. The weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Company's subsidiaries were comprising 162,613 thousand shares, 174,113 thousand shares and 182,625 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows:

	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Treasury stock	\$ <u>28,920</u>	<u>33,663</u>	<u>31,097</u>

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

(iii) Earnings distribution

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

	<u>2016(Estimated)</u>	<u>2015(Actual)</u>
Cash dividend to shareholders (NT\$)		
Cash	\$ <u>0.4</u>	<u>0.31905693</u> (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 stock affected outstanding shares.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(iv) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment	Total
January 1, 2017	\$ (293)	(87,319)	(87,612)
– Changes of the Group	(8,772)	12,374	3,602
– Changes of subsidiaries	(822)	5,279	4,457
Balance as of March 31, 2017	<u>\$ (9,887)</u>	<u>(69,666)</u>	<u>(79,553)</u>
January 1, 2016	\$ 9,532	(108,533)	(99,001)
– Changes of the Group	(1,678)	3,611	1,933
– Changes of subsidiaries	(98)	595	497
Balance as of March 31, 2016	<u>\$ 7,756</u>	<u>(104,327)</u>	<u>(96,571)</u>

(v) Treasury stock

The changes of treasury stocks were as follows:

<u>Reason to buy back</u>	<u>Beginning shares</u>	<u>Increase shares</u>	<u>Decrease shares</u>	<u>Ending shares</u>
January to March, 2017				
Maintain the Company's credit and stockholders' equity	-	11,500	(5,500)	6,000
Transfer to employees	12,000	-	-	12,000
	<u>12,000</u>	<u>11,500</u>	<u>(5,500)</u>	<u>18,000</u>
January to March, 2016				
Maintain the Company's credit and stockholders' equity	14,000	-	(14,000)	-
Transfer to employees	-	9,488	-	9,488
	<u>14,000</u>	<u>9,488</u>	<u>(14,000)</u>	<u>9,488</u>

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 the 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 three months ended March 31, 2017 and 2016, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of March 31, 2017, December 31, 2016 and March 31, 2016, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of March 31, 2017, December 31, 2016 and March 31, 2016, their market values amounted to \$96,735, \$86,185 and \$116,965, respectively.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(s) Earnings per share

	January to March, 2017	January to March, 2016
Basic earnings per share		
Profit (loss) attributable to owners of parent	<u>\$ (42,285)</u>	<u>59,148</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	<u>167,340</u>	<u>190,188</u>
Expressed in New Taiwan dollars	<u>\$ (0.25)</u>	<u>0.31</u>
Diluted earnings per share		
Profit (loss) attributable to owners of parent	<u>\$ (42,285)</u>	<u>59,148</u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	167,340	190,188
Effect of potentially dilutive ordinary stock:		
— Employee bonus (expressed in thousands of shares)	-	1,361
Weighted-average number of ordinary shares - diluted (expressed in thousands of shares)	<u>167,340</u>	<u>191,549</u>
Expressed in New Taiwan dollars	<u>\$ (0.25)</u>	<u>0.31</u>

Note: For three months ended March 31, 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 three months ended March 31, 2017 and 2016, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Group's subsidiaries as treasury stock.

(t) Revenue

Details of revenue for three month ended March 31, 2017 and 2016 were as follows:

	January to March, 2017	January to March, 2016
Sales of goods	<u>\$ 726,863</u>	<u>888,289</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 three months ended March 2017, the Company is in net operating loss before tax, so there's no need to accrue the compensation of employees and remuneration of Directors' and supervisors'. The accrued compensation of employees and remuneration of Directors' and supervisors' for three months ended March, 2016 were estimated to be \$3,725 and \$2,235, respectively. The compensation of employees and remuneration of Director's and supervisors' were estimated as the Company's net income before tax, excluding compensation of employees

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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. 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:

	January to March, 2017	January to March, 2016
Interest income		
Bank deposits	\$ 2,246	441
Other loans and receivables	40	68
Dividend Revenue	280	279
Others	154	713
	\$ 2,720	1,501

(ii) Other gains and losses

Details of other gains and losses were as follows:

	January to March, 2017	January to March, 2016
Foreign exchange gains (losses), net	\$ (67,031)	(10,750)
Net gains on disposal of investments and financial liability		
Net gains on disposal of Available-for-sale financial assets	1,970	2,299
Net gains on disposal of financial assets at fair value through profit or loss	(15,041)	(1,293)
Others	(1,244)	-
	\$ (81,346)	(9,744)

(iii) Finance costs

Details of finance costs were as follows:

	January to March, 2017	January to March, 2016
Interest expenses		
Bank loans	\$ 1,938	2,898

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:

	January to March, 2017	January to March, 2016
Available-for-sale financial assets		
Net change in fair value occurred in current year	\$ 21,276	5,904
Net change in fair value reclassified to income	(2,157)	(2,299)
Net change in fair value recognized in other comprehensive income	\$ 19,119	3,605

(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 March 31, 2017, December 31, 2016 and March 31, 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
March 31, 2017							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 292,000	(292,095)	(292,095)	-	-	-	-
Unsecured loans (floating rate)	592,045	(592,558)	(592,558)	-	-	-	-
Accounts payable(non-interest bearing)	353,708	(353,708)	(353,708)	-	-	-	-
Notes payable (non-interest bearing)	1,848	(1,848)	(1,848)	-	-	-	-
Other payable (non-interest bearing)	84,274	(84,274)	(84,274)	-	-	-	-
Guarantee deposits received (non-interest bearing)	160	(160)	-	-	-	(160)	-
Derivative financial liabilities							
Swap contract	5,995						
Cash out		(278,536)	(278,536)	-	-	-	-
Cash in		272,970	272,970	-	-	-	-
	\$ 1,330,030	(1,330,209)	(1,330,049)	-	-	(160)	-

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	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
December 31, 2016							
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>
March 31, 2016							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 254,800	(259,342)	(38,850)	(220,492)	-	-	-
Unsecured loans (floating rate)	331,422	(331,669)	(331,669)	-	-	-	-
Accounts payable (non-interest bearing)	405,189	(405,189)	(405,189)	-	-	-	-
Notes payable(non-interest bearing)	3,149	(3,149)	(3,149)	-	-	-	-
Other payable (non-interest bearing)	97,971	(97,971)	(97,971)	-	-	-	-
Guarantee deposits received (non-interest bearing)	160	(160)	-	-	-	(160)	-
Derivative financial liabilities							
Swap contract	2,310						
Cash out		(195,376)	(195,376)	-	-	-	-
Cash in		193,110	193,110	-	-	-	-
	<u>\$ 1,095,001</u>	<u>(1,099,746)</u>	<u>(879,094)</u>	<u>(220,492)</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:

	2017.3.31			2016.12.31			2016.3.31		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 49,074	30.33	1,488,404	46,679	32.25	1,505,389	36,271	32.185	1,167,373
JPY	9,670	0.2713	2,623	47,505	0.2756	13,092	8,694	0.2863	2,489
RMB	2,821	4.407	12,432	4,165	4.617	19,231	2,074	4.972	10,312
<u>Non-Monetary items</u>									
USD	10,198	30.33	309,308	6,635	32.25	213,985	11,897	32.185	382,909
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
TWD	2,884	1	2,884	-	-	-	190	1	190
USD	9,741	30.33	295,447	8,961	32.25	288,995	10,737	32.185	345,558
JPY	29,272	0.2713	7,941	22,992	0.2756	6,337	25,677	0.2863	7,351
<u>Non-Monetary items</u>									
USD	198	30.33	5,995	-	-	-	72	32.185	2,310

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 March 31, 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 \$9,882 and \$6,846, respectively.

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain of monetary items. For three months ended March 31, 2017 and 2016, the exchange loss (including realized and unrealized) that resulted from monetary items translated to the functional currency was \$67,031 and \$10,750, respectively.

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 March, 2017		January to March, 2016	
Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
After-tax loss	After-tax loss	After-tax profit	After-tax profit
\$ 18	18	18	18

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 March, 2017		January to March, 2016	
	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after-tax	Net profit (loss)
Increase 3%	\$ 12,694	-	\$ 16,149	-
Decrease 3%	\$ (12,694)	-	\$ (16,149)	-

(iv) Fair value

a. Categories and fair values of financial instruments

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2017.3.31				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or less					
Swap Contracts	\$ 49	-	49	-	49
Available-for-sale financial assets					
Stocks in listed companies	219,091	219,091	-	-	219,091
Open-end fund	256,647	256,647	-	-	256,647
Financial assets carried at cost	<u>185,000</u>	-	-	-	-
	<u>660,738</u>				
Loans and receivables					
Cash and Cash equivalent	805,675	-	-	-	-
Debt instrument without active market	278,425	-	-	-	-
Account Receivables	377,955	-	-	-	-
Other Account Receivables	19,180	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	<u>8,584</u>	-	-	-	-
	<u>1,489,819</u>				
Total financial assets	<u>\$ 2,150,606</u>				
Financial assets at fair value through profit or less					
Swap Contracts	\$ 5,995	-	5,995	-	5,995
Financial liabilities at amortized cost					
Bank loans	884,045	-	-	-	-
Notes payable	1,848	-	-	-	-
Account payable	353,708	-	-	-	-
Other payable	84,274	-	-	-	-
Guarantee deposits received	<u>160</u>	-	-	-	-
	<u>1,324,035</u>				
Total financial liabilities	<u>\$ 1,330,030</u>				

	2016.12.31				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or less					
SWAP Contract	\$ 4,655	-	4,655	-	4,655
Available-for-sale financial assets					
Stocks in listed companies	241,716	241,716	-	-	241,716
Open-end fund	167,189	167,189	-	-	167,189
Financial assets carried at cost	<u>185,000</u>	-	-	-	-
	<u>593,905</u>				

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

	2016.12.31				
	Carrying	Fair value			Total
	amount	Level 1	Level 2	Level 3	
Loan and receivables					
Cash and Cash equivalent	744,653	-	-	-	-
Debt instrument without active market	421,535	-	-	-	-
Account Receivables	376,421	-	-	-	-
Other Account Receivables	19,602	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	8,735	-	-	-	-
	<u>1,570,946</u>				
Total financial assets	<u>\$ 2,169,506</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 712,000	-	-	-	-
Notes payable	2,203	-	-	-	-
Account payable	344,224	-	-	-	-
Other payable	87,760	-	-	-	-
Guarantee deposits received	160	-	-	-	-
Total financial liabilities	<u>\$ 1,146,347</u>				

	2016.3.31				
	Carrying	Fair value			Total
	amount	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
ECB	\$ 64,249	64,249	-	-	64,249
Available-for-sale financial assets					
Stocks in listed companies	257,784	257,784	-	-	257,784
Open-end fund	345,591	345,591	-	-	345,591
Financial assets carried at cost	185,000	-	-	-	-
	<u>788,375</u>				
Loan and receivables					
Cash and Cash equivalent	645,334	-	-	-	-
Debt instrument without active market	1,523	-	-	-	-
Account Receivables	441,935	-	-	-	-
Other Account Receivables	17,520	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	9,213	-	-	-	-
	<u>1,115,525</u>				
Total financial assets	<u>\$ 1,968,149</u>				

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

	2016.3.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
SWAP Contract	\$ 2,310	-	2,310	-	2,310
Financial liabilities at amortized cost					
Bank loans	586,222	-	-	-	-
Notes payable	3,149	-	-	-	-
Account payable	405,189	-	-	-	-
Other payable	97,971	-	-	-	-
Guarantee deposits received	<u>160</u>	-	-	-	-
	<u>1,092,691</u>				
Total financial liabilities	<u>\$ 1,095,001</u>				

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

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

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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 three months ended March 31, 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

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Compensation of key management personnel

The information on key management personnel compensation was as follows:

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Short-term employee benefits	\$ 5,261	7,781
Post-employment benefits	136	144
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 5,397</u>	<u>7,925</u>

The Group provided five of their own cars and a rental car for their key management personnel to use. The book value of those cars amounted to \$11,672 and 10,487, respectively as of March 31, 2017 and 2016, and the rental car expense amounted to \$226 for the three months ended March 31, 2017 and 2016.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

8. Pledged Asset

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

<u>Pledged Assets</u>	<u>Purpose</u>	<u>2017.3.31</u>	<u>2016.12.31</u>	<u>2016.3.31</u>
Bond investments without active — current — time deposits	Guarantee for customs and government grants	\$ 1,513	1,014	1,014
Property, plant and equipment — buildings	Guarantee for long-term borrowings	-	-	236,447
Property, plant and equipment — machinery and equipment	Guarantee for long-term borrowings	-	-	93,251
Investment property	Guarantee for short-term borrowings	14,187	14,277	14,548
Bond investments without active market-current — Certificate Deposit	Guarantee for short-term borrowings	276,355	419,414	-
Other financial assets — noncurrent time deposits	Guarantee Letter of Credit for lease contract	<u>557</u>	<u>1,107</u>	<u>509</u>
		<u>\$ 292,612</u>	<u>435,812</u>	<u>345,769</u>

9. Commitments and Contingencies

(a) As of March 31, 2017, December 31, 2016 and March 31, 2016, The Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$27,604, \$18,298 and \$21,504, respectively.

(b) As of March 31, 2017, December 31, 2016 and March 31, 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 \$15,727, \$9,500 and \$3,043, respectively.

10. Losses Due to Major Disaster: None.

11. Significant Subsequent Event:

According to Board of director's resolution on May 9, 2017, the Group retired treasury stocks amounted to 6,000 thousand shares.

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:

	Three months ended 31 March, 2017			Three months ended 31 March, 2016		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	81,115	41,831	122,946	103,091	50,113	153,204
Labor and health insurance	10,595	3,496	14,091	10,803	3,446	14,249
Pension expense	5,824	2,425	8,249	6,010	2,448	8,458
Other personnel cost	6,910	1,490	8,400	7,481	1,590	9,071
Depreciation	23,715	1,207	24,922	27,220	1,517	28,737
Amortization	182	126	308	167	113	280

(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 three months ended March 31, 2017 were as follows:

(i) Loans extended to other parties: None.

(ii) Guarantees provided to other parties: None.

(iii) Securities owned as of March 31, 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	March 31, 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%	-	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.23%	-	-
The Company	Apple Inc. stock	-	Available-for-sale financial assets – current	16,000	69,715	-	69,715	-
The Company	Innolux Corp. stock	-	Available-for-sale financial assets – current	1,147,089	14,396	0.01%	14,396	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	300,000	14,850	-	14,850	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets – current	250,000	15,950	0.05%	15,950	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Available-for-sale financial assets – current	300,000	10,890	0.01%	10,890	-
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets – current	474,600	15,496	0.03%	15,496	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets – current	216,000	19,397	0.01%	19,397	-
The Company	Mega Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	555,000	13,597	-	13,597	-
The Company	Coasia Microelectronics Corp. stock	-	Available-for-sale financial assets – current	441,508	7,351	0.32%	7,351	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	480,000	10,704	0.78%	10,704	-
The Company	Edmond de Rothschild Europe Convertibles (B) USD	-	Available-for-sale financial assets – current	8,468.12	24,328	-	24,328	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	100,738.54	92,701	-	92,701	-
The Company	Fidelity Funds - Euro Balanced Fund	-	Available-for-sale financial assets – current	88,226.18	31,121	-	31,121	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx (A)	-	Available-for-sale financial assets – current	2,000,000	17,103	-	17,103	-
The Company	JPM Global Income A (acc)	-	Available-for-sale financial assets – current	5,808.89	30,531	-	30,531	-
The Company	USB US High Yield Fund(USD)	-	Available-for-sale financial assets – current	3,700	30,551	-	30,551	-
The Company	BlackRock Emerging Market Bond Fund A2 (USD)	-	Available-for-sale financial assets – current	56,561.09	30,312	-	30,312	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	12,265	0.90%	12,265	-

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	March 31, 2017				Remarks
				Units (shares)	Carrying Value	Ratio	Market value (or net equity value)	
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Available-for-sale financial assets – current	101,500	765	0.02%	765	-
Ying Dar Investment Development Corp.	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	5,346,672	58,813	2.82%	58,813	(Note)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	8,474	0.62%	8,474	-
Bae Haw Investment Development Corp.	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	3,447,716	37,925	1.82%	37,925	(Note)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	6,000,000	150,000	13.38%	-	-
Ying Cheng Investment Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	235,000	5,241	0.38%	5,241	-

Note: It was eliminated in the consolidation.

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

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

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

(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.	Subsidiary of the Company	Sale	251,291	36.33%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. was not significantly different from those offered to other customers.	Collection terms offered to Emerging Display Technologies Co., U.S.A. was not significantly different from other customers	243,148	49.78%	(Note)
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	251,291	100%	3 months	The Company is the major supplier for Emerging Display Technologies Co., U.S.A. There is no comparable transaction.	The Company is the major supplier for Emerging Display Technologies Co., U.S.A.	(243,148)	100%	(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 243,148	3.67	-	-	30,862	-	(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.	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.	1	Sales revenue Accounts receivable	251,291 243,148	No significant collections term difference between other customers and Emerging Display Technologies Co., U.S.A.	34.57% 7.13%

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Tremendous Explore Corp.	1	Processing cost Accounts receivable	70,565 97,160	No non-related-party transaction to compare to.	9.71% 2.85%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses-Commission Other payable	363 493	No non-related-party transaction to compare to.	0.05% 0.01%
0	The Company	EDT-Europe ApS	1	Selling expenses-Commission Other payable	12,535 924	No non-related-party transaction to compare to.	1.72% 0.03%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses-Commission	1,015	No non-related-party transaction to compare to.	0.14%
0	The Company	EDT-Japan Corp.	1	Selling expenses-Commission Other payable	2,116 1,261	No non-related-party transaction to compare to.	0.29% 0.04%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing revenue Accounts receivable	72,019 66,123	No non-related-party transaction to compare to.	9.91% 1.94%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	72,235	No non-related-party transaction to compare to.	9.94%

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 three months ended March 31, 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 March 31, 2017			Net income (loss) of the investee	Investment income (loss) recognized	Remark
				2017.3.31	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%	67,454 (Note 1)	(2,754)	(3,557)	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	84,920	(1,098)	(862)	Subsidiary (Note 2)
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	1,253	(304)	(304)	Subsidiary (Note 2)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(7,473)	(3,272)	(3,272)	Subsidiary (Note 2)
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,123	18	18	Subsidiary (Note 2)
The Company	EDT-Japan Corp.	Japan	Trading	17,401	17,401	5,000	100.00%	5,617	(1,005)	(1,005)	Subsidiary (Note 2)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	28,641	(70)	(70)	Subsidiary (Note 2)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	28,044	(131)	(131)	Subsidiary (Note 2)
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	84,147	(6)	(3)	Subsidiary (Note 2)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,383	(1,098)	(65)	Subsidiary (Note 2)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	12,345	(1,098)	(125)	Subsidiary (Note 2)

Note 1: It was deducted unrealized profit from sales \$8,790

Note 2: It was eliminated in the consolidation.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(c) Information on investments in Mainland China:

(1) Related information regarding investments in Mainland China

The related information regarding the 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 March 31, 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 March 31, 2017	Accumulated investment income repatriated to Taiwan as of March 31, 2016
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (US\$ 7,625,300)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$ 6,746,936) (Note1)	-	-	219,225 (US\$ 6,746,936)	(671)	95.80% (Note2)	Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	95,170 (Note4)	-

(2) Limitation on investment in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of March 31, 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
210,328(Note8) (US\$6,934,668)(Note 5)	423,156(Note8) (US\$13,951,732)(Note6)	1,170,670(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 \$40 which was recognized by Ying Dar Investment Development Corp. and a loss of \$77 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$5,861 which was invested by Ying Dar Investment Development Corp. and \$11,335 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 \$52,473 for Ying Dar Investment Development Corp. and \$39,581 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at March 31, 2017.

(3) Significant transactions:

The significant inter-Group transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in "Information on significant transactions" for the three months ended March 31, 2017.

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

(14) Segment Information

Reportable segment information is as follows:

	Three months ended March 31, 2017					
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 440,452	286,315	-	96	-	726,863
Sales among consolidated entities	251,291	363	70,565	15,666	(337,885)	-
Total revenue	\$ 691,743	286,678	70,565	15,762	(337,885)	726,863
Segment Income	\$ (41,012)	(2,798)	(4,480)	(1,273)	(803)	(50,366)
	Three months ended March 31, 2016					
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 464,951	423,229	-	109	-	888,289
Sales among consolidated entities	373,462	547	106,107	17,970	(498,086)	-
Total revenue	\$ 838,413	423,776	106,107	18,079	(498,086)	888,289
Segment Income	\$ 57,362	(1,061)	15,165	191	(36)	71,621
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Segment Assets						
March 31, 2017	\$ 3,264,049	325,149	161,587	14,074	(352,897)	3,411,962
December 31, 2016	\$ 3,305,133	399,735	170,394	18,313	(439,727)	3,453,848
March 31, 2016	\$ 3,332,562	429,655	200,562	22,357	(594,816)	3,390,320
Segment Liabilities						
March 31, 2017	\$ 1,552,993	249,030	69,718	6,082	(344,232)	1,533,591
December 31, 2016	\$ 1,438,965	315,942	69,836	8,905	(420,469)	1,413,179
March 31, 2016	\$ 1,349,433	343,912	82,279	10,604	(456,057)	1,330,171

The following is the explanation of material reconciliation item:

1. For the three months ended March 31, 2017 and 2016, the operating segments revenue eliminated from the consolidated entities were \$337,885 and 498,086, respectively.
2. For the three months ended March 31, 2017 and 2016, the operating segments depreciation and amortization eliminated from the consolidated entities were \$803 and 36, respectively.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

3. As of March 31, 2017, December 31, 2016 and March 31, 2016, the operating segments assets eliminated from the consolidated entities were \$352,897, \$439,727 and \$594,816, respectively.
4. As of March 31, 2017, December 31, 2016 and March 31, 2016, the operating segments liabilities eliminated from the consolidated entities were \$344,232, \$420,469 and \$456,057, respectively.