

(English Translation of Financial Report Originally Issued in Chinese)

**EMERGING DISPLAY TECHNOLOGIES CORP. AND
SUBSIDIARIES**

**For the nine months ended September 30, 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	<u>Page</u>
1. Cover page	1
2. Table of contents	2
3. Independent auditors' review report	3
4. Consolidated balance sheets	4
5. Consolidated statements of comprehensive income	5
6. Consolidated statements of changes in equity	6
7. Consolidated statements of cash flows	7
8. Notes to 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	8~14
(4) Summary of significant accounting policies	14~15
(5) Critical Accounting Judgments, and key Sources of Estimation and Uncertainty	16
(6) Explanation of significant accounting items	16~37
(7) Transactions with Related Parties	37
(8) Pledged assets	38
(9) Commitments and contingencies	38
(10) Losses due to major disaster	38
(11) Significant subsequent event	38
(12) Others	38~39
(13) Supplementary Disclosure Requirements	
(a) Information on significant transactions	39~41
(b) Information on investees	41~42
(c) Information on investments in Mainland China	42~43
(14) Segment information	43~45

Independent Auditors' Review Report

The Board of Director's
Emerging Display Technologies Corp.

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

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

The above subsidiaries' quarterly financial statements of the Company included EDT-Europe ApS, Emerging Display Technologies Korea, EDT-Japan Corp., Emerging Display international (Samoa) Corp., Tremendous Explore Corp., Ying Dar Investment Development Corp., Bae Haw Investment Development Corp. and Ying Cheng Investment Corp. which were based on these investees' un-reviewed financial statements for the same reporting periods. Total assets of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$299,678 thousand and \$274,240 thousand, representing 8.63% and 7.58% of the Company's consolidated total assets as of September 30, 2017 and 2016. Total liabilities of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$95,712 thousand and \$65,245 thousand, representing 6.06% and 4.14% of the Company's consolidated total liabilities as of September 30, 2017 and 2016. The comprehensive income and loss of these subsidiaries (after eliminating after-tax effects resulting from internal transactions between affiliated companies) were income \$11,254 thousand, income 5,246 thousand, and income \$19,151 thousand, income \$19,423 thousand representing 39.48%, 11.30% and 41.57%, 14.82% of the Company's consolidated comprehensive income for the three months and nine months ended September 30, 2017 and 2016.

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

KPMG
CPA: Potree Yang and David Chen
Kaohsiung, Taiwan, R.O.C.
November 8, 2017

Emerging Display Technologies Corp. and its subsidiaries
Consolidated Balance Sheets
September 30, 2017 and 2016
(expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

ASSET	2017.9.30		2016.12.31		2016.9.30	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
CURRENT ASSET :						
Cash and cash equivalent (Note 6(a))	\$ 1,052,310	30	744,653	22	866,474	25
Financial assets at fair value through profit or loss-current (Note 6(b))	790	-	4,655	-	211	-
Available-for-sale financial assets—current (Note 6(c))	406,677	12	408,905	12	550,208	15
Bond investments without active market-current (Notes 6(d) and 8)	1,514	-	420,428	12	283,246	8
Accounts receivable, net (Note 6(f))	487,707	14	376,421	11	456,282	13
Other receivables (Note 6(f))	18,743	1	19,602	-	21,968	1
Current tax assets	2,135	-	2,782	-	3,303	-
Inventories (Note 6(g))	809,098	23	754,529	22	714,704	20
Other current assets (Note 6(h))	37,775	1	20,814	1	17,320	-
Total current Asset	2,816,749	81	2,752,789	80	2,913,716	82
NONCURRENT ASSET :						
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	5	185,000	6	185,000	5
Property, plant and equipment (Notes 6(j) and 8 and 9)	404,128	12	459,027	13	471,311	13
Investment Property (Notes 6(k) and 8)	22,441	1	17,047	-	17,137	-
Intangible assets (Note 6(l))	3,627	-	3,868	-	3,205	-
Deferred tax assets	25,641	1	25,898	1	15,752	-
Prepayments on purchase of equipment	3,786	-	377	-	-	-
Other non-current financial assets (Notes 6(d) and 6(f) and 8)	9,259	-	9,842	-	9,989	-
Total noncurrent assets	653,882	19	701,059	20	702,394	18
TOTAL	\$ 3,470,631	100	3,453,848	100	3,616,110	100

LIABILITIES AND EQUITY	2017.9.30		2016.12.31		2016.9.30	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
CURRENT LIABILITY :						
Short-term loans (Notes 6(m) and 8)	\$ 473,000	14	712,000	21	932,314	26
Financial liability at fair value through profit and loss (Note 6(b))	-	-	-	-	2,416	-
Notes payable	1,270	-	2,203	-	2,414	-
Accounts payable	409,888	12	344,224	10	326,533	9
Other payables	172,130	5	228,455	6	197,424	6
Current tax liabilities	16,762	-	13,485	-	4,569	-
Other current liabilities	18,014	1	21,335	1	26,006	1
Total current liabilities	1,091,064	32	1,321,702	38	1,491,676	42
NONCURRENT LIABILITIES :						
Long-term loans (Notes 6(n) and 8)	398,062	11	-	-	-	-
Deferred tax liabilities	2,812	-	2,812	-	2,539	-
Net Defined Benefit liabilities-noncurrent	86,610	2	88,505	3	83,033	2
Guarantee deposits received	160	-	160	-	160	-
Total noncurrent liabilities	487,644	13	91,477	3	85,732	2
Total liabilities	1,578,708	45	1,413,179	41	1,577,408	44
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 6 (r)) :						
Capital stock	1,834,076	53	1,949,076	56	2,009,076	56
Capital surplus	23,873	1	33,663	1	33,903	1
Retained earnings	295,521	9	338,384	10	285,765	8
Other equity interest	(70,592)	(2)	(87,612)	(3)	(97,434)	(3)
Treasury stock	(273,209)	(8)	(273,209)	(7)	(273,208)	(8)
Total equity attributable to shareholders of the parent	1,809,669	53	1,960,302	57	1,958,102	54
Non-controlling interests(Note 6(i))	82,254	2	80,367	2	80,600	2
Total equity	1,891,923	55	2,040,669	59	2,038,702	56
TOTAL	\$ 3,470,631	100	3,453,848	100	3,616,110	100

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the nine months ended September 30, 2017 and 2016

(expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

	For the three months ended September 30				For the nine months ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 6(t))	\$ 769,121	100	782,064	100	2,242,902	100	2,492,820	100
Operating cost (Notes 6(g), 6(p), 6(u) and 6(l))	642,543	84	608,349	78	1,855,748	83	1,983,109	80
Gross profit	126,578	16	173,715	22	387,154	17	509,711	20
Operating expenses (Notes 6(p), 6(u) and 6(l)):								
Selling expenses	45,893	6	48,350	6	137,613	6	150,823	6
General and administrative expenses	32,520	4	34,692	4	93,196	4	107,346	4
Research and development expenses	26,575	3	24,203	3	70,596	3	73,226	3
	104,988	13	107,245	13	301,405	13	331,395	13
Net other income (Note 6(v))	204	-	274	-	821	-	821	-
Operating profit	21,794	3	66,744	9	86,570	4	179,137	7
Non-operating income and expenses (Note 6(w)):								
Other income	13,334	2	12,002	2	19,582	1	19,216	1
Other gains and losses, net	10,853	1	(27,994)	(4)	(52,876)	(3)	(29,929)	(1)
Financial cost	(3,017)	-	(3,572)	-	(7,362)	-	(9,420)	-
	21,170	3	(19,564)	(2)	(40,656)	(2)	(20,133)	-
Profit before tax	42,964	6	47,180	7	45,914	2	159,004	7
Total tax expense (Note 6(q))	6,879	1	11,209	1	17,266	1	29,691	1
Net Profit	36,085	5	35,971	6	28,648	1	129,313	6
Other comprehensive income :								
Items that will be reclassified into profit or loss :								
Foreign currency translation difference	1,108	-	(6,193)	(1)	(7,189)	-	(9,786)	-
Unrealized gain(loss) on available-for-sale financial Assets (Note (x))	(9,560)	(1)	18,041	2	24,946	1	11,061	-
Less: Income tax related to items that will be reclassified subsequently (Note(q))	(869)	-	1,392	-	336	-	(437)	-
Other comprehensive income, net	(7,583)	(1)	10,456	1	17,421	1	1,712	-
Comprehensive income	\$ 28,502	4	46,427	7	46,069	2	131,025	6
Profit (loss) attributable to								
Shareholders of the parent	\$ 34,612	5	35,977	6	27,162	1	129,100	6
Non-controlling interests	1,473	-	(6)	-	1,486	-	213	-
Net Profit (loss)	\$ 36,085	5	35,971	6	28,648	1	129,313	6
Comprehensive income attributable to								
Shareholders of the parent	\$ 27,602	4	46,372	7	44,182	2	130,667	6
Non-controlling interests	900	-	55	-	1,887	-	358	-
Total comprehensive income	\$ 28,502	4	46,427	7	46,069	2	131,025	6
Earnings per share (Note 6(s))(expressed in New Taiwan Dollars):								
Basic earnings per share	\$ 0.21		0.20		0.17		0.70	
Diluted earnings per share	\$ 0.21		0.20		0.16		0.70	

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2017 and 2016
(In Thousands of New Taiwan Dollars)
(Reviewed, not audited)

	Equity attributable to shareholders of parent										
	Equity attributable to shareholders of parent					Other equity interest			Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
	Common stock	Capital surplus	Legal capital reserve	Retained earnings		Foreign currency translation difference	Unrealized gain(loss) on available-for-sale financial assets	Treasury stock			
			Special capital reserve	Unappropriated earnings							
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 nine months ended September 30, 2016	-	-	-	-	129,100	-	-	-	129,100	213	129,313
Other comprehensive income(loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	(9,490)	11,057	-	1,567	145	1,712
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	129,100	(9,490)	11,057	-	130,667	358	131,025
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	21,614	-	(21,614)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	96,448	(96,448)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(60,272)	-	-	-	(60,272)	-	(60,272)
Repurchase of treasury stock	-	-	-	-	-	-	-	(150,926)	(150,926)	-	(150,926)
Cancellation of treasury stock	(140,000)	3,142	-	-	-	-	-	136,858	-	-	-
Cash dividends to subsidiaries	-	2,806	-	-	-	-	-	-	2,806	-	2,806
Balance as of September 30, 2016	\$ 2,009,076	33,903	21,614	96,448	167,703	42	(97,476)	(273,208)	1,958,102	80,600	2,038,702
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 nine months ended September 30, 2017	-	-	-	-	27,162	-	-	-	27,162	1,486	28,648
Other comprehensive income(loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	(7,117)	24,137	-	17,020	401	17,421
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	27,162	(7,117)	24,137	-	44,182	1,887	46,069
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	18,777	-	(18,777)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	27,262	(27,262)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(70,025)	-	-	-	(70,025)	-	(70,025)
Repurchase of treasury stock	-	-	-	-	-	-	-	(128,382)	(128,382)	-	(128,382)
Cancellation of treasury stock	(115,000)	(13,382)	-	-	-	-	-	128,382	-	-	-
Cash dividends to subsidiaries	-	3,592	-	-	-	-	-	-	3,592	-	3,592
Balance as of September 30, 2017	\$ 1,834,076	23,873	40,391	123,710	131,420	(7,410)	(63,182)	(273,209)	1,809,669	82,254	1,891,923

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statement of Cash flows
For the nine months ended September 30, 2017 and 2016
(expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

	For the nine months ended September 30	
	2017	2016
Cash flows from operating activities:		
Profit(loss) before tax	\$ 45,914	159,004
Adjustments:		
Income and expenses having no effect on cash flows:		
Depreciation expense	69,111	84,066
Amortization expense	856	722
Provision for bad debt expense	(14)	(95)
Net gain on financial assets or liabilities at fair value through profit or loss	3,865	4,838
Financial cost	7,362	9,420
Interest income	(8,961)	(2,125)
Dividend income	(7,726)	(8,357)
Loss on disposal of property, plant and equipment	(568)	(367)
Gain on disposal of investments	(19,171)	(8,063)
Unrealized foreign exchange loss	34,175	26,253
Reversal gain on impairment loss of Investment Property	(5,664)	-
Total adjustments to reconcile profit (loss)	73,265	106,292
Changes in operating assets and liabilities		
Net changes in operating assets:		
Accounts receivable	(123,344)	(12,919)
Other receivable	1,568	(1,580)
Inventories	(61,894)	110,142
Other current assets	(19,052)	14,102
Total net changes in operating assets	(202,722)	109,745
Net changes in operating liabilities:		
Notes payable	(932)	(779)
Accounts payable	68,490	(32,874)
Other payables	(51,318)	(63,830)
Other current liabilities	(3,068)	(28)
Net defined benefit liability	(1,896)	(1,738)
Total net change in operating liabilities	11,276	(99,249)
Total net change in operating asset and liabilities	(191,446)	10,496
Total adjustments	(118,181)	116,788
Cash generated from operating activities	(72,267)	275,792
Interest received	8,250	1,945
Dividends received	7,726	9,032
Interest paid	(6,992)	(7,998)
Income taxes paid	(13,646)	(3,933)
Net cash flows from operating activities	(76,929)	274,838
Cash flows from investing activities:		
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	-	(16,187)
Proceeds of financial assets designated upon initial recognition as at fair value through profit or loss	-	63,684
Acquisition of available-for-sale financial assets	(192,517)	(32,464)
Proceeds from disposal of available-for-sale financial assets	238,862	116,114
Acquisition of Debt Investments Without Active Market	418,914	(290,842)
Acquisition of property, plant and equipment	(23,479)	(19,371)
Proceeds of property, plant and equipment	1,226	367
Acquisition of intangible assets	(613)	(402)
Decrease in other financial assets (Increase)	477	(491)
Increase in prepayments on purchase of equipment	(3,410)	-
Net cash flows used in investing activities	439,460	(179,592)
Cash flows from financing activities:		
Increase in short-term loans (Decrease)	(239,000)	333,028
Increase in long-term loans	400,000	-
Repayments of long-term loans	-	(291,200)
Cash dividends	(66,432)	(60,263)
Treasury stock acquired	(128,382)	(162,026)
Net cash provided by (used in) financing activities	(33,814)	(180,461)
Effects of changes in foreign exchange rates	(21,060)	(11,568)
Net increase in cash and cash equivalents	307,657	(96,783)
Cash and cash equivalents at beginning of year	744,653	963,257
Cash and cash equivalents at end of year	\$ 1,052,310	866,474

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

For the nine months ended September 30, 2017 and 2016

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

(Reviewed, not audited)

1. Organization and Business Scope

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

2. Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on November 8, 2017.

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36: "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to 2010~2012 and 2011~2013 cycle	July 1, 2014
Annual Improvements to IFRSs 2012~2014 cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

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

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

According to Ruling No. 1060025773 issued on July 14, 2017 by FSC, public entities are required to confirm to IFRSs, which were issued by International Accounting Standards Board (IASB) before January 1, 2018 and were endorsed by FSC on January 1, 2018 in preparing their financial statements. The related standards, interpretations and amendments are as follows:

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

A. IFRS 9 Financial Instruments

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

(a) Classification and Measurement-Financial assets

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

Base on its preliminary assessment, the Group does not believe that the new classification requirements, if applied starting September 30, 2017, would have had a material impact on its accounting for accounts receivables and investments in equity securities that are managed on a fair value basis. As of September 30, 2017, the Group had financial assets measured at cost of 185,000 and equity investments classified as available-for sale with a fair value of 142,243. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group’s profits.

As of September 30, 2017, the Group had open-end fund with a fair value of 264,434 classified as available-for sale financial asset. If continue to hold on the same purpose

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

when adopting IFRS 9, it's usually classified to fair value through other comprehensive income and the profit and loss of fair value afterward is recognized as profit and loss. The changes of fair value will cause the profit and loss fluctuation of the Group.

(b) Impairment-Financial assets and contract assets

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

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

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

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

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

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

(c) Hedging Accounting

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

(d) Disclosures

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(e) Transition

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

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

B. IFRS 15 Revenue from Contracts with Customers

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

(a) Sales of goods

The Group recognized revenue when delivered goods to customer's designated place, customer accepted the goods and the significant risks and rewards already transferred to customers. The Group recognized revenue at this stage because revenue and cost can be measured reliably, amount can be high possibly collected and the Group no longer engaged in the management of the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group has performed a preliminary assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control transferred and the Group does not expect that there will be a significant impact on its consolidated financial statements.

(b) Transition

The Group expects to apply IFRS 15 by using Cumulative Impact Method. Hence, no need to redo previous year's comparison information. The cumulative Impact figures when first adopting this standard will be adjusted to retained earnings on January 1, 2018. The Group plans to use practical expedients for completed contracts. This means that a contract is deemed as completed contracts at the beginning of first adopting date (January 1, 2018) will not be restated.

C. Amendments to IAS 7 Disclosure Initiative

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

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

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

E. IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

3. Newly released or amended standards and interpretations not yet endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Lease"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019

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

<u>Issuance/Release Dates</u>	<u>Standards or interpretation</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease in amended as follows:</p> <ul style="list-style-type: none"> • 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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

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

4. Summary of Significant Accounting Policies

(a) Statement of compliance

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

Except below Note 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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

Name of the Investor	Name of the Subsidiary	Business Activity	Percentage Ownership			Remark
			2017.9.30	2016.12.31	2016.9.30	
The Company	Emerging Display Technologies Co., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	Note
The Company	EDT-Europe ApS	Customer service and business support	100.00%	100.00%	100.00%	Note
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	Note
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Note
The Company	EDT-Japan Corp.	Customer service and business support	100.00%	100.00%	100.00%	Note
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	Note
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	investment holding	5.90%	5.90%	5.90%	Note
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	investment holding	11.41%	11.41%	11.41%	Note
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	Note

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

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

(c) Income tax

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

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

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

(d) Employee benefit

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Cash and cash equivalents	\$ 262	331	331
Demand deposits	297,734	505,746	632,107
Check deposits	607	3,552	5,260
Time deposits	692,946	235,024	228,776
Repurchase agreement	60,761	-	-
Total	\$ 1,052,310	744,653	866,474

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

	<u>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Financial assets at fair value through profit or loss: :			
Financial asset held for trade:			
Swap Contract	\$ 790	4,655	211
Financial liabilities at fair value through profit or loss:			
Financial liabilities held for trade :			
Swap Contract	\$ -	-	2,416

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

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

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

	<u>2017.9.30</u>		
	<u>Contract amount</u>	<u>Currency</u>	<u>Maturity period</u>
	<u>(Thousand Dollars)</u>		
Swap Contract	USD 3,000	USD to TWD	2017.12.5~2017.12.22

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	2016.9.30		
	<u>Contract amount</u>	<u>Currency</u>	<u>Maturity period</u>
	<u>(Thousand Dollars)</u>		
Swap Contract	USD 11,000	USD to TWD	2016.10.14~2016.12.29

(c) Available-for-sale financial assets

	<u>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Listed stocks in Taiwan	\$ 142,243	181,953	178,220
Foreign listed stocks	-	59,763	56,724
Open-end mutual funds	264,434	167,189	315,264
Total	<u>\$ 406,677</u>	<u>408,905</u>	<u>550,208</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 September 30, 2017, December 31, 2016 and September 30, 2016, the book value our Group entrusted to the financial institutions are \$17,800, \$14,050 and \$12,725 respectively.

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

(d) Bond investment without active market

	<u>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Restricted Certificate Deposit-current	<u>\$ 2,071</u>	<u>421,535</u>	<u>284,320</u>
Current	\$ 1,514	420,428	283,246
Non-current(recorded in other non-current financial assets)	557	1,107	1,074
Total	<u>\$ 2,071</u>	<u>421,535</u>	<u>284,320</u>

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(e) Financial assets at cost

	2017.9.30	2016.12.31	2016.9.30
Unlisted stocks	\$ 185,000	185,000	185,000

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

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

(f) Accounts receivable and other receivables

	2017.9.30	2016.12.31	2016.9.30
Account receivable	\$ 510,325	399,069	478,972
Other receivables-current	21,618	22,666	34,355
Other receivables- deposits paid	8,702	8,735	8,915
Less: allowance for doubtful accounts	(25,493)	(25,712)	(35,077)
	\$ 515,152	404,758	487,165

Book as :

Net account receivables	\$ 487,707	376,421	456,282
Other receivables	18,743	19,602	21,968
Other financial assets	8,702	8,735	8,915
	\$ 515,152	404,758	487,165

The aging analysis of unimpaired overdue receivables was as follows:

	2017.9.30	2016.12.31	2016.9.30
1~30 days	\$ 38,758	51,215	31,717
31~90 days	7,287	4,509	1,404
91~270 days	2,620	318	1,120
More than 271 days	69	50	93
	\$ 48,734	56,092	34,334

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	Nine months ended September 30, 2017		
	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance at January 1, 2017	\$ 25,409	303	25,712
Recognition(reversal) of impairment loss	-	(14)	(14)
The Effects of Changes in Foreign Exchange Rates	(189)	(16)	(205)
Balance at September 30, 2017	<u>\$ 25,220</u>	<u>273</u>	<u>25,493</u>

	Nine months ended September 30, 2017		
	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance at January 1, 2017	\$ 41,940	487	42,427
Recognition of impairment loss	31	(126)	(95)
Offset uncollected amount	(6,653)	-	(6,653)
The effects of Changes in Foreign Exchange Rates	(586)	(16)	(602)
Balance at September 30, 2017	<u>\$ 34,732</u>	<u>345</u>	<u>35,077</u>

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

(g) Inventory

	2017.9.30	2016.12.31	2016.9.30
Raw materials	\$ 246,347	188,683	165,091
Work in process	312,889	310,053	304,408
Finished goods	247,113	250,990	244,432
Inventories in transit	2,749	4,803	773
	<u>\$ 809,098</u>	<u>754,529</u>	<u>714,704</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Write-down inventory to net realized value was recognized in the cost of revenue. Previous write-down inventory had been sold and the net realizable value of inventory lower than cost was no longer existed. Due to the increase of net realized value, the operating cost was reduced. Concerned details are listed as follows:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Recognized loss (Operating cost)	\$ 158	-	-	4,568
Recognized profit (Deduction of operating cost)	-	8,426	2,973	-

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

(h) Other current assets:

	2017.9.30	2016.12.31	2016.9.30
Income tax refund receivable	\$ 2,521	2,526	1,904
Prepayment for purchases	7,640	4,094	2,909
Prepaid expense	6,310	9,096	8,672
Prepaid sales tax	21,304	5,098	3,835
	\$ 37,775	20,814	17,320

(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		
		2017.9.30	2016.12.31	2016.9.30
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:

	2017.9.30	2016.12.31	2016.9.30
Current Asset	\$ 12,804	9,171	9,264
Non-Current Asset	150,000	150,000	150,000
Current Liability	-	(60)	-
Non-Current liability	-	-	-
Net Asset	\$ 162,804	159,111	159,264
Non-Controlling equity closing book amount	\$ 77,332	75,578	75,650

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	July to September 2017	July to September 2016	January to September 2017	January to September 2016
Operating revenue	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit (loss)	\$ 2,708	53	2,698	43
Other comprehensive income	(1,343)	446	995	928
Comprehensive income	<u>\$ 1,365</u>	<u>499</u>	<u>3,693</u>	<u>971</u>
Profit (Loss) attributable to non-controlling interest	<u>\$ 1,286</u>	<u>25</u>	<u>1,281</u>	<u>20</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 648</u>	<u>237</u>	<u>1,754</u>	<u>461</u>
		January to September 2017	January to September 2016	
Cash flow from operating activities		\$ 181	(3)	
Cash flow from investing activities		7,516	-	
Cash flow from financing activities		-	-	
Net increase in cash and cash equivalents		<u>\$ 7,697</u>	<u>(3)</u>	

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

	2017.9.30	2016.12.31	2016.9.30
Current Asset	\$ 144,815	127,372	126,314
Non-Current Asset	10,643	14,176	16,373
Current Liability	(38,259)	(27,511)	(24,835)
Non-Current liability	-	-	-
Net Asset	<u>\$ 117,199</u>	<u>114,037</u>	<u>117,852</u>
Non-Controlling equity closing book amount	<u>\$ 4,922</u>	<u>4,789</u>	<u>4,950</u>

	July to September 2017	July to September 2016	January to September 2017	January to September 2016
Operating revenue	<u>\$ 93,784</u>	<u>83,680</u>	<u>263,084</u>	<u>273,343</u>
Net profit(Loss)	\$ 4,446	(748)	4,872	4,581
Other comprehensive income	1,565	(3,592)	(1,710)	(7,046)
Comprehensive income	<u>\$ 6,011</u>	<u>(4,340)</u>	<u>3,162</u>	<u>(2,465)</u>
Profit(Loss) attributable to non-controlling interest	<u>\$ 187</u>	<u>(31)</u>	<u>205</u>	<u>193</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 252</u>	<u>(182)</u>	<u>133</u>	<u>(103)</u>

interest

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to September 2017	January to September 2016
Cash flow from operating activities	\$ (11,055)	415
Cash flow from investing activities	(207)	(2,651)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	(692)	(756)
Net decrease in cash and cash equivalents	\$ (11,954)	(2,992)

(j) Property, plant and equipment

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

	Land	Building and construction	Machinery and equipment	Office 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	-	1,796	2,232	18	14,741	18,787
Reclassification	-	-	14,250	-	(14,250)	-
Disposals	-	-	(24,784)	(54)	(6,172)	(31,010)
Effect of movements in exchange rates	(3,168)	(1,875)	(3,277)	(504)	(46)	(8,870)
Balance at September 30, 2017	\$ 48,166	994,074	2,568,770	31,430	154,425	3,796,865
Balance at January 1, 2016	\$ 52,249	995,983	2,705,564	32,418	151,520	3,937,734
Additions	-	2,281	6,867	373	11,490	21,011
Reclassification	-	-	9,759	-	(9,759)	-
Disposals	-	-	(126,050)	(244)	(1,963)	(128,257)
Effect of movements in exchange rates	(2,332)	(3,951)	(14,998)	(552)	(366)	(22,199)
Balance at September 30, 2016	\$ 49,917	994,313	2,581,142	31,995	150,922	3,808,289
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	-	11,482	45,089	825	11,445	68,841
Disposals	-	-	(24,784)	(54)	(5,514)	(30,352)
Effect of movements in exchange rates	-	(1,069)	(3,145)	(468)	(1)	(4,683)
Balance at September 30 2017	\$ -	763,312	2,477,450	29,251	122,724	3,392,737
Balance at January 1 2016	\$ -	737,759	2,529,764	28,524	103,877	3,399,924
Depreciation for the year	-	14,508	56,586	985	11,717	83,796
Disposals	-	-	(126,050)	(244)	(1,963)	(128,257)
Effect of movements in exchange rates	-	(3,218)	(14,401)	(531)	(335)	(18,485)
Balance at September 30, 2016	\$ -	749,049	2,445,899	28,734	113,296	3,336,978
Carrying amounts:						
Balance at January 1, 2017	\$ 51,334	241,254	120,059	3,022	43,358	459,027
Balance at September 30, 2017	\$ 48,166	230,762	91,320	2,179	31,701	404,128
Balance at January 1, 2016	\$ 52,249	258,224	175,800	3,894	47,643	537,810
Balance at September 30, 2016	\$ 49,917	245,264	135,243	3,261	37,626	471,311

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(k) Investment property

The details of investment property were as follows:

	Land	Building and construction	Total
Book value or deemed cost:			
Balance at January 1, 2017	\$ 10,079	21,670	31,749
Balance at September 30, 2017	\$ 10,079	21,670	31,749
Balance at January 1, 2016	\$ 10,079	21,670	31,749
Balance at September 30, 2016	\$ 10,079	21,670	31,749
Depreciation and impairment loss:			
Balance at January 1, 2017	\$ -	14,702	14,702
Depreciation for the year	-	270	270
Reversal of impairment loss	-	(5,664)	(5,664)
Balance at September 30, 2017	\$ -	9,308	9,308
Balance at January 1, 2016	\$ -	14,342	14,342
Depreciation for the year	-	270	270
Balance at September 30, 2016	\$ -	14,612	14,612
Carrying amounts:			
Balance at January 1, 2017	\$ 10,079	6,968	17,047
Balance at September 30, 2017	\$ 10,079	12,362	22,441
Balance at January 1, 2016	\$ 10,079	7,328	17,407
Balance at September 30, 2016	\$ 10,079	7,058	17,137

In June, 2017, the Group re-tested the impairment of the cash generating unit, estimated its recoverable amount was \$23,329 and higher than book amount \$22,531, which was previous recognized impairment loss amount deducted depreciation, therefore, the reversal of recoverable amount was \$5,664. Reversal of impairment loss was recognized in the consolidated income statement.

The Group conducted investment property assessment based on value in use as recoverable amount. The calculation of value in use is according to the expected cash flow generating from the future rental and is discounted by the rate of return that reflects the inherent risk of the net cash flow. The discount rate used on June 30, 2017 was 1.845%.

The fair value of Group's investment property as of September 30, 2017, December 31 and September, 2016 had no significant difference with 2016 consolidated financial statements disclosed in Note 6(k).

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(l) Intangible assets

	Patent and other	Computer software cost	Total
Book value detail as below:			
Balance at January 1, 2017	\$ <u>1,843</u>	<u>2,025</u>	<u>3,868</u>
Balance at September 30, 2017	\$ <u>1,949</u>	<u>1,678</u>	<u>3,627</u>
Balance at January 1, 2016	\$ <u>1,938</u>	<u>1,587</u>	<u>3,525</u>
Balance at September 30, 2016	\$ <u>1,884</u>	<u>1,321</u>	<u>3,205</u>

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

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

(m) Short-term loans

The details of short-term loans were as follows:

	2017.9.30	2016.12.31	2016.9.30
Letters of credit	\$ -	-	10,314
Unsecured bank loans	373,000	330,000	650,000
Secured bank loans	100,000	382,000	272,000
Total	<u>\$ 473,000</u>	<u>712,000</u>	<u>932,314</u>
Unused lines of credit	<u>\$ 1,202,236</u>	<u>1,236,685</u>	<u>922,740</u>
Interest rates applied	<u>0.95%~1.045%</u>	<u>0.88%~1.10%</u>	<u>0.88%~1.2%</u>

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

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

As of September 30, 2017, December 31, 2016 and September 30, 2016, The Group's acceptance credit for purchases of raw materials and machinery equipment amounted to \$12,321, \$11,017 and \$8,241, respectively.

(n) Long-term loans

The details of long-term loans were as follows:

	2017.9.30	2016.12.31	2016.9.30
Secured bank loans	\$ 400,000	-	-
Less: current portion	(1,938)	-	-
Total	<u>\$ 398,062</u>	<u>-</u>	<u>-</u>
Unused lines of credit	<u>\$ 400,000</u>	<u>800,000</u>	<u>-</u>
Interest rates applied	<u>1.7895%</u>	<u>-</u>	<u>-</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(i) Issue and repayment of loan

On november 17, 2016, The Group entered into a syndicated loan agreement with eight banks led by Tai Shin Bank for the period from the date of first borrowing to the end of the three-year term. The financial facility amounted to NT\$800,000 thousands. On August 15, 2017, an amount of NT\$400,000 was borrowed. Repayment will be made in three installments, every six months after the expiration of two years from the borrowing date. The first and second repayments will be NT\$80,000 respectively. The third repayment will be NT\$240,000.

The concerned restricted terms are as follows:

During the term of this loan, The Group promises that the annual consolidated financial report should maintain the following financial ratios. If the following requirements are not met, The Group should adjust them within nine months after the end of the fiscal year. If the adjusted financial ratios verified by a certified public accountant agree with the requirements, it would not be regarded as a breach of the agreement. During the adjustment period, the unused credit line shall be suspended until the concerned financial ratios are met. However, the renewing of concerned revolving credit line is not the case, therefore, from the next interest payment date after the management bank notifies the non-compliance with the required financial ratios to the next interest payment date after the concerned financial ratios are adjusted to meet the requirements, the lending interest rate of each loan in this agreement should be increased by 0.125%. After the majority of concerned banks resolve to grant the exemption requested by the Group, the aforementioned interest rate increase would be waived.

- (1)Debt ratio (debt / net worth) remains below 150% (inclusive).
- (2)Current ratio (current assets / current liabilities) remains above 100%.
- (3)Interest coverage ratio (pre-tax income + interest expense + depreciation + amortization / interest expense)/) maintains 2.5 times (inclusive) or more.
- (4)Minimum net tangible net worth (net worth-intangible assets) remains above NT\$1,600,000 (inclusive).

From January 1 to September 30, 2016, no additional long-term loan happened. The repayments amounted to NT\$291,200, of which NT\$254,800 was repaid ahead to the schedule.

For details of interest expenses, please refer to Note 6(w) and other related information; please refer to Note 6(n) of the 2016 consolidated financial statements.

(ii) Collateral for long-term loans

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

(o) Operating lease

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

(p) Employee Benefit

(i) Defined benefit plan

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Cost recognized in profit or loss is as below:

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Operating cost	\$ 371	442	1,115	1,318
Selling expenses	15	17	47	54
General and administrative expenses	49	56	144	166
Research and development expenses	38	41	114	125
	<u>\$ 473</u>	<u>556</u>	<u>1,420</u>	<u>1,663</u>

(ii) Defined Contribution Plan

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

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Operating cost	\$ 5,804	5,782	16,997	16,964
Selling expenses	1,226	1,339	3,753	4,052
General and administrative expenses	504	495	1,487	1,394
Research and development expenses	584	542	1,699	1,593
	<u>\$ 8,118</u>	<u>8,158</u>	<u>23,936</u>	<u>24,003</u>

(q)Income tax

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

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Current tax expense (benefit)				
Current	\$ 6,729	4,323	17,164	6,466
Adjust pervious current tax	185	3	184	(210)
	<u>6,914</u>	<u>4,326</u>	<u>17,348</u>	<u>6,256</u>
Deferred tax expense				
Origination and reversal of temporary differences	(35)	6,883	(82)	23,435
The amounts of income tax	<u>\$ 6,879</u>	<u>11,209</u>	<u>17,266</u>	<u>29,691</u>

No income tax was recognized directly in equity.

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

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Unrealized gain (loss) on available-for sale financial assets	<u>\$ (869)</u>	<u>1,392</u>	<u>336</u>	<u>(437)</u>

(ii) Approval of income tax

The Group's income tax returns for all fiscal years up to 2015 have been examined and approved by the R.O.C. tax authority.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	2017.9.30	2016.12.31	2016.9.30
1997 and prior years	\$ -	-	-
1998 and thereafter	131,420	220,322	167,703
	\$ 131,420	220,322	167,703
Balance of imputation credit	\$ 6,023	2,376	2,061

	2016(Actual)	2015(Actual)
Tax creditable ratio for earnings distributed to residents in R.O.C.	5.78%	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.

(r) Share capital and other equity

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

(i) Common Stock

As of September 30, 2017, December 31 and September 30, 2016, the authorized share capital of the Company amounted to \$3,500,000 comprising 350,000 thousand shares with a par value of TWD10 per share.

Issued shares for nine months ended September 30, 2017 and 2016 are as follows:

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

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

(ii) Capital surplus

Capital surplus was as follows:

	2017.9.30	2016.12.31	2016.9.30
Treasury stock	\$ 23,873	33,663	33,903

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

(iii) Earnings distribution

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

	2016(Estimated)	2015(Actual)
Cash dividend to shareholders (NT\$)		
Cash	\$ 0.4	0.31905693 (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.

(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	(7,117)	24,137	17,020
Balance as of September 30, 2017	\$ (7,410)	(63,182)	(70,592)
January 1, 2016	\$ 9,532	(108,533)	(99,001)
– Changes of the Group	(9,490)	11,057	1,567
Balance as of September 30, 2016	\$ 42	(97,476)	(97,434)

(v) Treasury stock

The changes of treasury stocks were as follows:

Reason to buy back	Beginning shares	Increase shares	Decrease shares	Ending shares
January to September, 2017				
Maintain the Company’s credit and stockholders’ equity	-	11,500	(11,500)	-
Transfer to employees	12,000	-	-	12,000
	12,000	11,500	(11,500)	12,000
January to September, 2016				
Maintain the Company’s credit and stockholders’ equity	14,000	-	(14,000)	-
Transfer to employees	-	12,000	-	12,000
	14,000	12,000	(14,000)	12,000

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

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

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

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. For the nine months ended September 30, 2017 and 2016, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of September 30, 2017, December 31, 2016 and September 30, 2016, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of September 30, 2017, December 31, 2016 and September 30, 2016, their market values amounted to \$84,866, \$86,185 and \$89,703, respectively.

(s) Earnings per share

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Basic earnings per share				
Profit (loss) attributable to owners of parent	\$ <u>34,612</u>	<u>35,977</u>	<u>27,162</u>	<u>129,100</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	<u>162,613</u>	<u>180,113</u>	<u>164,172</u>	<u>183,505</u>
Expressed in New Taiwan dollars	\$ <u>0.21</u>	<u>0.20</u>	<u>0.17</u>	<u>0.70</u>
Diluted earnings per share				
Profit (loss) attributable to owners of parent	\$ <u>34,612</u>	<u>35,977</u>	<u>27,162</u>	<u>129,100</u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	162,613	180,113	164,172	183,505
Effect of potentially dilutive ordinary stock:				
— Employee bonus (expressed in thousands of shares)	<u>232</u>	<u>251</u>	<u>495</u>	<u>1,138</u>
Weighted-average number of ordinary shares - diluted (expressed in thousands of shares)	<u>162,845</u>	<u>180,364</u>	<u>164,667</u>	<u>184,643</u>
Expressed in New Taiwan dollars	\$ <u>0.21</u>	<u>0.20</u>	<u>0.16</u>	<u>0.70</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

In computing above basic earnings (loss) per share of ordinary stock for nine months ended September 30, 2017 and 2016, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Company's subsidiaries as treasury stock.

(t) Revenue

Details of revenue were as follows:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Sales of goods	\$ 769,121	782,064	2,242,902	2,492,820

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

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

For the three months and nine months ended September 30, 2017 and 2016, the compensation of employees were estimated \$2,241, \$2,556, \$2,388 and \$8,535, respectively, the remuneration of Directors and Supervisors were estimated \$1,345, \$1,534, \$1,433 and \$5,121, 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 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:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Interest income				
Bank deposits	\$ 3,506	726	8,961	1,926
Other loans and receivables	39	65	119	199
Dividend Revenue	7,142	7,180	7,726	8,357
Others	2,647	4,031	2,776	8,734
	\$ 13,334	12,002	19,582	19,216

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(ii) Other gains and losses

Details of other gains and losses were as follows:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Foreign exchange gains (losses), net	\$ (5,704)	(30,654)	(61,901)	(38,187)
Net gains on disposal of investments and financial liability				
Net gains on disposal of Available-for-sale financial assets	16,659	4,957	19,171	8,063
Others	-	(158)	-	(158)
Net gains on disposal of financial assets at fair value through profit or loss	(95)	(2,116)	(13,370)	32
Net gains on disposal of fixed asset	-	(4)	568	367
Reveral gain on impairment loss of investment property	-	-	5,664	-
Others	(7)	(19)	(3,008)	(46)
	<u>\$ 10,853</u>	<u>(27,994)</u>	<u>(52,876)</u>	<u>(29,929)</u>

(iii) Finance costs

Details of finance costs were as follows:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Interest expenses				
Bank loans	\$ 2,892	3,572	7,237	9,420
Management fee of concerned loan	125	-	125	-
	<u>\$ 3,017</u>	<u>3,572</u>	<u>7,362</u>	<u>9,420</u>

(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:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Available-for-sale financial assets				
Net change in fair value occurred in current year	\$ 4,903	22,998	42,137	19,124
Net change in fair value reclassified to income	(14,463)	(4,957)	(17,191)	(8,063)
Net change in fair value recognized in other comprehensive income	<u>\$ (9,560)</u>	<u>18,041</u>	<u>24,946</u>	<u>11,061</u>

(y) Financial instruments

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to 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 September 30, 2017, December 31, 2016 and September 30, 2016

(ii) Liquidity risk

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

	<u>Carry amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 years</u>	<u>Due in over 5 years</u>
September 30, 2017							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 500,000	(520,276)	(103,651)	(5,353)	(86,977)	(324,295)	-
Unsecured loans (floating rate)	373,000	(373,138)	(373,138)	-	-	-	-
Accounts payable(non-interest bearing)	409,888	(409,888)	(409,888)	-	-	-	-
Notes payable (non-interest bearing)	1,270	(1,270)	(1,270)	-	-	-	-
Other payable (non-interest bearing)	80,376	(80,376)	(80,376)	-	-	-	-
Guarantee deposits received (non-interest bearing)	160	(160)	(6)	-	-	(154)	-
	<u>\$ 1,364,694</u>	<u>(1,385,108)</u>	<u>(968,329)</u>	<u>(5,353)</u>	<u>(86,977)</u>	<u>(324,449)</u>	<u>-</u>
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>
September 30, 2016							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 272,000	(272,133)	(272,133)	-	-	-	-
Unsecured loans (floating rate)	660,314	(660,699)	(660,699)	-	-	-	-
Accounts payable(non-interest bearing)	326,533	(326,533)	(326,533)	-	-	-	-
Notes payable (non-interest bearing)	2,414	(2,414)	(2,414)	-	-	-	-
Other payable (non-interest bearing)	88,087	(88,087)	(88,087)	-	-	-	-
Guarantee deposits received (non-interest bearing)	160	(160)	-	-	-	(160)	-
Derivative financial liabilities							
Swap Contract :	2,416						
Cash out		(284,364)	(284,364)	-	-	-	-
Cash in		282,240	282,240	-	-	-	-
	<u>\$ 1,351,924</u>	<u>(1,352,150)</u>	<u>(1,351,990)</u>	<u>-</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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(iii) Market Risk

a. Exchange rate risk

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

	2017.9.30			2016.12.31			2016.9.30		
	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	\$ 53,352	30.26	1,619,878	46,679	32.25	1,505,389	53,266	31.36	1,670,433
JPY	18,359	0.2691	4,940	47,505	0.2756	13,092	6,993	0.3109	2,174
CNY	44	4.551	199	4,165	4.617	19,231	2,432	4.693	11,414
<u>Non-Monetary item</u>									
USD	8,182	30.26	247,581	6,635	32.25	213,985	11,274	31.36	353,545
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
NTD	7,267	1	7,267	-	-	-	717	1	717
USD	11,065	30.26	334,838	8,961	32.25	288,995	9,271	31.36	290,754
JPY	29,671	0.2691	7,985	22,992	0.2756	6,337	22,624	0.3109	7,034
<u>Non-Monetary item</u>									
USD	-	-	-	-	-	-	77	31.360	2,416

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 September 30, 2017 and 2016, the exchange rate of the TWD versus the USD, CNY, and JPY increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$10,530 and \$11,464, respectively.

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain or loss of monetary items. For the three months and nine months ended September 30, 2017 and 2016, the exchange loss and profit (including realized and unrealized) that resulted from monetary items translated to the functional currency was loss \$5,704, loss \$30,654, loss \$61,901 and loss \$38,187, 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 September, 2017		January to September, 2016	
Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
After-tax loss	After-tax loss	After-tax profit	After-tax profit
\$ 99	99	58	58

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 September,2017		January to September,2016	
	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after-tax	Net profit (loss)
Increase 3%	\$ 10,941	-	14,704	-
Decrease 3%	\$ (10,941)	-	(14,704)	-

(iv) Fair value

a. Categories and fair values of financial instruments

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

	2017.9.30				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Swap Contracts	\$ 790	-	790	-	790
Available-for-sale financial assets					
Stocks in listed companies	142,243	142,243	-	-	142,243
Open-end fund	264,434	264,434	-	-	264,434
Financial assets carried at cost	185,000	-	-	-	-
	<u>591,677</u>				
Loans and receivables					
Cash and Cash equivalent	1,052,310	-	-	-	-
Debt instrument without active market	2,071	-	-	-	-
Account Receivables	487,707	-	-	-	-
Other Account Receivables	18,743	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	8,702	-	-	-	-
	<u>1,569,533</u>				
Total financial assets	<u>\$ 2,162,000</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 873,000	-	-	-	-
Notes payable	1,270	-	-	-	-
Account payable	409,888	-	-	-	-
Other payable	80,376	-	-	-	-
Guarantee deposits received	160	-	-	-	-
Total financial liabilities	<u>\$ 1,364,694</u>				

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Financial liabilities at fair value through profit or loss

Swap Contracts	\$ <u>2,416</u>	-	2,416	-	2,416
Financial liabilities at amortized cost					
Bank loans	\$ 932,314	-	-	-	-
Notes payable	2,414	-	-	-	-
Account payable	326,533	-	-	-	-
Other payable	88,087	-	-	-	-
Guarantee deposits received	<u>160</u>	-	-	-	-
	<u>1,349,508</u>				
Total financial liabilities	<u>\$ 1,351,924</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

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

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

d. Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Derivative instruments

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

e. Transfer between level 1 and level 2

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

(z) Financial risk management

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

(aa) Capital management

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

7. Transactions with Related Parties

Compensation of key management personnel

The information on key management personnel compensation was as follows:

	July to September,2017	July to September,2016	January to September,2017	January to September,2016
Short-term employee benefits	\$ 5,921	5,686	15,574	19,816
Post-employment benefits	118	145	372	433
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 6,039</u>	<u>5,831</u>	<u>15,946</u>	<u>20,249</u>

As of September 30, 2017 and 2016, the Group provided five and four of their own cars and a rental car for their key management personnel to use. The book value of those cars amounted to \$8,812 and 10,487, respectively as of September 30, 2017 and 2016, and the rental car expense amounted to \$227, \$227, \$679 and \$679, respectively for the nine months ended September 30, 2017 and 2016.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

8. Pledged Assets

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

<u>Pledged Assets</u>	<u>Purpose</u>	<u>2017.9.30</u>	<u>2016.12.31</u>	<u>2016.9.30</u>
Bond investments without active – current – time deposits	Guarantee for customs and government grants	\$ 1,514	1,014	1,006
Property, plant and equipment – buildings	Guarantee for long-term borrowings	218,474	-	-
Investment property	Guarantee for short-term borrowings	19,671	14,277	14,367
Bond investments without active market-current – Certificate Deposit	Guarantee for short-term borrowings	-	419,414	282,240
Other financial assets – noncurrent time deposits	Guarantee Letter of Credit for lease contract	557	1,107	1,074
		<u>\$ 240,216</u>	<u>435,812</u>	<u>298,687</u>

9. Commitments and Contingencies

- (a) As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$24,523, \$18,298 and \$17,585, respectively.
- (b) As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group has signed contracts for the purchase of equipment. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$7,511, \$9,500 and \$2,000, respectively.

10. Losses Due to Major Disaster: None.

11. Significant Subsequent Event: None.

12. Others

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

	July to September, 2017			July to September, 2016		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	97,928	47,110	145,038	79,235	46,623	125,858
Labor and health insurance	9,751	3,416	13,167	10,100	3,333	13,433
Pension expense	6,175	2,416	8,591	6,224	2,490	8,714
Other personnel cost	6,862	1,450	8,312	6,748	1,415	8,163
Depreciation	19,076	1,124	20,200	25,622	1,476	27,098
Amortization	144	131	275	137	71	208

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to September, 2017			January to September, 2016		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	260,957	130,023	390,980	279,254	142,731	421,985
Labor and health insurance	30,003	10,212	40,215	30,801	9,854	40,655
Pension expense	18,112	7,244	25,356	18,282	7,384	25,666
Other personnel cost	20,656	4,364	25,020	21,318	4,363	25,681
Depreciation	65,527	3,584	69,111	79,661	4,405	84,066
Amortization	471	385	856	451	271	722

(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 nine months ended September 30, 2017 were as follows:

(i) Loans extended to other parties: None.

(ii) Guarantees provided to other parties: None.

(iii) Securities owned as of September 30, 2017 (subsidiaries, associates and joint ventures not included):

Name of security holder	Name of security and type	Relationship between the Investee and the company	Financial statement account	September 30, 2017				Remark
				Units (shares)	Carrying Value	Ratio	Market value (or net equity value)	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	10,000	5.00%	(Note 1)	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.17%	(Note 1)	-
The Company	Innox Corp. stock	-	Available-for-sale financial assets – current	1,147,089	16,231	0.01%	16,231	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	300,000	14,160	-	14,160	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets – current	250,000	17,800	0.05%	17,800	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Available-for-sale financial assets – current	300,000	10,140	0.01%	10,140	-
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets – current	474,600	17,276	0.03%	17,276	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets – current	216,000	17,194	0.01%	17,194	-
The Company	Mega Financial Holding Co., Ltd stock	-	Available-for-sale financial assets – current	555,000	13,181	-	13,181	-
The Company	Coasia Microelectronics Corp. stock	-	Available-for-sale financial assets – current	441,508	6,932	0.32%	6,932	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx (A)	-	Available-for-sale financial assets – current	2,000,000	17,643	-	17,643	-
The Company	Edmond de Rothschild Europe Convertibles (B) USD	-	Available-for-sale financial assets – current	8,468.12	27,395	-	27,395	-
The Company	JPM Global Income A (acc)	-	Available-for-sale financial assets – current	11,490.71	62,209	-	62,209	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	94,696.97	61,695	-	61,695	-
The Company	Fidelity Funds - Euro Balanced Fund	-	Available-for-sale financial assets – current	88,226.18	32,677	-	32,677	-
The Company	UBS US High Yield Fund(USD)	-	Available-for-sale financial assets – current	3,700.00	31,630	-	31,630	-
The Company	BlackRock Emerging Market Bond Fund A2 (USD)	-	Available-for-sale financial assets – current	56,561.09	31,184	-	31,184	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	16,885	0.90%	16,885	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Available-for-sale financial assets – current	101,500	779	0.02%	779	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Available-for-sale financial assets – current	5,346,672	51,595	2.92%	51,595	(Note 2)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	1.47%	(Note 1)	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	11,666	0.62%	11,666	-
Bae Haw Investment Development Corp.	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	3,447,716	33,270	1.88%	33,270	(Note 2)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	6,000,000	150,000	13.03%	(Note 1)	-

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

Note 2: It was eliminated in the consolidation.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

- (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) compan	Counterparty	Relationship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Co., U.S.A. (EDTA)	Subsidiary of the Company	Sale	(865,628)	(39.48)%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. was not significantly different from those offered to other customers.	Considering the special trading practices in North American market, the Group set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets. The price in North American market is not significantly different from that in general market.	312,741	51.68%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	260,140	20.82%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Group is the only entity the subsidiary provides processing service to.	(115,975)	(25.57)%	(Note)
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	865,628	100.00%	3 months	The Group is the major supplier for Emerging Display Technologies Co., U.S.A. There is no comparable transaction.	The Group is the major supplier for Emerging Display Technologies Co., U.S.A.	(312,741)	(100.00)%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	(260,140)	(100.00)%	1-3 months	The Group is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Group is the only entity the subsidiary provides processing service to.	115,975	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	263,084	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(74,469)	(80.58)%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	(263,084)	(100.00)%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	74,469	100.00%	(Note)

Note: It was eliminated in the consolidation.

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

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Account Receivables of 312,741	3.74	-	-	39,570	-	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Account Receivables of 115,975	1.76	-	-	44,525	-	(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 6(b).

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(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. (EDTA)	1	Sales revenue Accounts receivable	865,628 312,741	Considering the special trading practices in North American market, the Group set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets. The price in North American market is not significantly different from that in general market.	38.59% 9.01%
0	The Company	Tremendous Explore Corp.	1	Processing cost Accounts receivable	260,140 115,975	No non-related-party transaction to compare to.	11.60% 3.34%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses-Commission Other payable	894 456	No non-related-party transaction to compare to.	0.04% 0.01%
0	The Company	EDT-Europe ApS	1	Selling expenses-Commission Other payable	37,945 2,757	No non-related-party transaction to compare to.	1.69% 0.08%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses-Commission	3,040	No non-related-party transaction to compare to.	0.14%
0	The Company	EDT-Japan Corp.	1	Selling expenses-Commission Other payable	6,920 659	No non-related-party transaction to compare to.	0.31% 0.02%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing revenue Accounts receivable	263,084 74,469	No non-related-party transaction to compare to.	11.73% 3.32%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	124,536	No non-related-party transaction to compare to.	5.55%

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 nine months ended September 30, 2017 is as follows: (excluding investments in Mainland China)

Name of investors	Name of investees	Location	Business scope	Original cost of investment		Balance as of September 30, 2017			Net income (loss) of the investee	Investment income (loss) recognized	Remark
				2017.9.30	2016.12.31	Shares	Ratio	Carrying value			
The Company	Emerging Display Technologies Co., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	63,817 (Note 1)	(4,297)	(5,043)	Subsidiary (Note 3)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	91,990	4,872	3,824	Subsidiary (Note 3 and 4)
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	3,462	1,930	1,930	Subsidiary (Note 3 and 4)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(7,132)	(2,931)	(2,931)	Subsidiary (Note 3 and 4)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Name of investors	Name of investees	Location	Business scope	Original cost of investment		Balance as of September 30, 2017			Net income (loss) of the investee	Investment income(loss) recognized	Remark
				2017.9.30	2016.12.31	Shares	Ratio	Carrying value			
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,092	50	50	Subsidiary (Note 3 and 4)
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	4,103	(2,383)	(2,383)	Subsidiary (Note 3 and 4)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,937	4,461	2,295 (Note 2)	Subsidiary (Note 3 and 4)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	35,180	3,467	2,059 (Note 2)	Subsidiary (Note 3 and 4)
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	85,472	2,698	1,417	Subsidiary (Note 3 and 4)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,915	4,872	287	Subsidiary (Note 3 and 4)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,372	4,872	556	Subsidiary (Note 3 and 4)

Note 1: It was deducted unrealized profit from sales \$10,730.

Note 2: It was deducted cash dividends to subsidiaries recognized to capital surplus.

Note 3: It was eliminated in the consolidation.

Note 4: The investment profit or loss and the investment value are calculated according to the invested company's own settlement of the financial quarterly report without the accountant's audit.

(c) Information on investments in Mainland China:

(1) Related information regarding investments in Mainland China

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

Investee Group	Main business and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2017	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of September 30, 2017	Net income of investee	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group	Book value of the investment as of September 30, 2017	Investment income repatriated to Taiwan as of September 30, 2017
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (US\$ 7,625,300元)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$ 6,746,936元) (Note1)	-	-	219,225 (US\$ 6,746,936元)	5,077	95.80% (Note2)	Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	103,586 (Note4)	-

(2) Limitation on investment in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of September 30, 2017	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
209,843(Note8) (US\$6,934,668) (Note 5)	422,179(Note8) (US\$13,951,732) (Note6)	1,173,991(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 \$300 which was recognized by Ying Dar Investment Development Corp. and a loss of \$579 which was recognized by Bae Haw Investment Development Corp.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Note 4: The amount includes \$6,379 which was invested by Ying Dar Investment Development Corp. and \$12,337 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 \$47,119 for Ying Dar Investment Development Corp. and \$41,070 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at September 30, 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 retransactions" for the nine months ended September 30, 2017.

14. Segment Information

Reportable segment information is as follows:

	July to September, 2017					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue:						
Sales to customers other than consolidated entities	\$ 449,817	319,460	-	(156)	-	769,121
Sales among consolidated entities	<u>306,583</u>	<u>256</u>	<u>92,199</u>	<u>15,038</u>	<u>(414,076)</u>	<u>-</u>
Total revenue	<u>\$ 756,400</u>	<u>319,716</u>	<u>92,199</u>	<u>14,882</u>	<u>(414,076)</u>	<u>769,121</u>
Segment Income	<u>\$ 34,157</u>	<u>2,438</u>	<u>(3,105)</u>	<u>(32)</u>	<u>9,506</u>	<u>42,964</u>
	July to September, 2016					
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 426,448	355,503	-	113	-	782,064
Sales among consolidated entities	<u>321,703</u>	<u>477</u>	<u>84,768</u>	<u>15,942</u>	<u>(422,890)</u>	<u>-</u>
Total revenue	<u>\$ 748,151</u>	<u>355,980</u>	<u>84,768</u>	<u>16,055</u>	<u>(422,890)</u>	<u>782,064</u>
Segment Income	<u>\$ 50,785</u>	<u>(757)</u>	<u>(852)</u>	<u>1,592</u>	<u>(3,588)</u>	<u>47,180</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to September, 2017					
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 1,326,675	915,963	-	264	-	2,242,902
Sales among consolidated entities	865,628	894	260,140	47,905	(1,174,567)	-
Total revenue	<u>\$ 2,192,303</u>	<u>916,857</u>	<u>260,140</u>	<u>48,169</u>	<u>(1,174,567)</u>	<u>2,242,902</u>
Segment Income	<u>\$ 44,881</u>	<u>(4,365)</u>	<u>(2,931)</u>	<u>(382)</u>	<u>8,711</u>	<u>45,914</u>

	January to September, 2016					
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 1,328,180	1,164,266	-	374	-	2,492,820
Sales among consolidated entities	1,048,380	1,574	283,124	51,286	(1,384,364)	-
Total revenue	<u>\$ 2,376,560</u>	<u>1,165,840</u>	<u>283,124</u>	<u>51,660</u>	<u>(1,384,364)</u>	<u>2,492,820</u>
Segment Income	<u>\$ 151,110</u>	<u>(2,763)</u>	<u>5,875</u>	<u>1,680</u>	<u>3,102</u>	<u>159,004</u>

	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Segment Assets						
September 30, 2017	<u>\$ 3,378,105</u>	<u>395,244</u>	<u>232,889</u>	<u>17,124</u>	<u>(552,731)</u>	<u>3,470,631</u>
December 31, 2016	<u>\$ 3,305,133</u>	<u>399,735</u>	<u>170,394</u>	<u>18,313</u>	<u>(439,727)</u>	<u>3,453,848</u>
September 30, 2016	<u>\$ 3,564,118</u>	<u>426,501</u>	<u>222,644</u>	<u>21,760</u>	<u>(618,913)</u>	<u>3,616,110</u>
Segment Liabilities						
September 30, 2017	<u>\$ 1,596,245</u>	<u>320,880</u>	<u>131,894</u>	<u>8,466</u>	<u>(478,777)</u>	<u>1,578,708</u>
December 31, 2016	<u>\$ 1,438,965</u>	<u>315,942</u>	<u>69,836</u>	<u>8,905</u>	<u>(420,469)</u>	<u>1,413,179</u>
September 30, 2016	<u>\$ 1,622,875</u>	<u>344,595</u>	<u>112,737</u>	<u>7,879</u>	<u>(510,678)</u>	<u>1,577,408</u>

The following is the explanation of material reconciliation item:

1. For the three months and nine months ended September 30, 2017 and 2016, the operating segments revenue eliminated from the consolidated entities were \$414,076, \$422,890, \$1,174,567 and \$1,384,364, respectively.
2. For the three months and nine months ended September 30, 2017 and 2016, the operating segments depreciation and amortization eliminated from the consolidated entities were profit \$9,506, loss \$3,588, profit \$8,711 and profit 3,102, respectively.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

3. As of September 30, 2017, December 31, 2016 and September 30, 2016, the operating segments assets eliminated from the consolidated entities were \$552,731, \$439,727 and \$618,913, respectively.
4. As of September 30, 2017, December 31, 2016 and September 30, 2016, the operating segments liabilities eliminated from the consolidated entities were \$478,777, \$420,469 and \$510,678, respectively.