

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND  
SUBSIDIARIES**

**For the Nine months ended September 30, 2018 and 2017  
(With Independent Auditors' Review Report Thereon)**

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## 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	14~20
(5) Critical Accounting Judgments, and key Sources of Estimation and Uncertainty	20~21
(6) Explanation of significant accounting items	21~49
(7) Transactions with Related Parties	49~50
(8) Pledged assets	50
(9) Commitments and contingencies	50
(10) Losses due to major disaster	50
(11) Significant subsequent event	50
(12) Others	50~51
(13) Supplementary Disclosure Requirements	
(a) Information on significant transactions	51~55
(b) Information on investees	55
(c) Information on investments in Mainland China	55~57
(14) Segment information	57~58

## **Independent Auditors' Review Report**

The Board of Director's  
Emerging Display Technologies Corp.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2018 and 2017, and changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### **Scope of Review**

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$251,708 thousand and \$299,678 thousand, constituting 7.57% and 8.63% of consolidated total assets as of September 30, 2018 and 2017, respectively, total liabilities amounting to \$82,027 thousand and \$95,712 thousand, constituting 5.46% and 6.06% of consolidated total liabilities as of September 30, 2018 and 2017, respectively, and total comprehensive income amounting to \$12,093 thousand, \$11,254 thousand, \$14,649 thousand and \$19,151 thousand, constituting 26.93%, 39.48%, 15.37% and 41.57% of consolidated total comprehensive income for the three months and the nine months ended September 30, 2018 and 2017, respectively.

### **Qualified Conclusion**

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Emerging Display Technologies Corp. and subsidiaries as of September 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months and the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

### **Emphasis of Matter**

As stated in Note 3(a), the consolidated financial statements of The Company and its subsidiaries applied for the International Financial Reporting Standard 9, “Financial Instruments” starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

KPMG  
CPA: Potree Yang and David Chen  
Kaohsiung, Taiwan, R.O.C.  
November 2, 2018

**Emerging Display Technologies Corp. and its subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2018, December 31, 2017, and September 30, 2017**  
(expressed in thousands of New Taiwan Dollars)  
(Reviewed, not audited)

ASSET	2018.9.30		2017.12.31		2017.9.30		LIABILITIES AND EQUITY	2018.9.30		2017.12.31		2017.9.30	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSET :</b>							<b>CURRENT LIABILITY :</b>						
Cash and cash equivalent (Note 6(a))	\$ 1,029,905	31	1,148,720	33	1,052,310	30	Short-term loans (Notes 6(o), 6(ae) and 8)	\$ 430,000	13	557,000	16	473,000	14
Current financial assets at fair value through profit or loss(Note 6(b))	130,312	4	-	-	790	-	Financial liability at fair value through profit or loss (Note 6(b))	297	-	-	-	-	-
Current financial assets at fair value through other comprehensive income (Note 6(c))	213,741	6	-	-	-	-	Notes payable	881	-	1,141	-	1,270	-
Available for sale financial assets — current (Note 6(d))	-	-	417,630	12	406,677	12	Accounts payable	351,396	11	343,654	10	409,888	12
Current investments in debt instrument without active market (Notes 6(e) and 8)	-	-	4,423	-	1,514	-	Other payables	190,991	6	197,414	6	172,130	5
Accounts receivable, net (Note 6(g))	502,940	15	490,408	14	487,707	14	Current tax liabilities	30,323	1	18,235	-	16,762	-
Other receivables (Note 6(h))	15,851	1	16,702	-	18,743	1	Current portion of long-term loans (Note 6(p), 6(ae), 8)	79,760	2	-	-	-	-
Current tax assets	1,565	-	1,419	-	2,135	-	Other current liabilities	18,890	-	18,839	-	18,014	1
Inventories (Note 6(i))	718,149	22	783,309	22	809,098	23	<b>Total current liabilities</b>	<b>1,102,538</b>	<b>33</b>	<b>1,136,283</b>	<b>32</b>	<b>1,091,064</b>	<b>32</b>
Other current assets (Note 6(j) and 8)	33,260	1	44,210	1	37,775	1	<b>NONCURRENT LIABILITIES :</b>						
<b>Total current Asset</b>	<b>2,645,723</b>	<b>80</b>	<b>2,906,821</b>	<b>82</b>	<b>2,816,749</b>	<b>81</b>	Long-term loans (Notes 6(p), 6(ae) and 8)	319,041	10	398,246	11	398,062	11
<b>NONCURRENT ASSET :</b>							Deferred tax liabilities	-	-	-	-	2,812	-
Non-current financial assets at fair value through other comprehensive income (Note 6(c))	168,485	5	-	-	-	-	Net Defined Benefit liabilities-noncurrent	81,162	2	82,998	3	86,610	2
Non-current financial assets carried at cost (Note 6(f))	-	-	185,000	6	185,000	5	Guarantee deposits received	262	-	34	-	160	-
Property, plant and equipment (Notes 6(l), 8 and 9)	456,875	14	391,411	11	404,128	12	<b>Total noncurrent liabilities</b>	<b>400,465</b>	<b>12</b>	<b>481,278</b>	<b>14</b>	<b>487,644</b>	<b>13</b>
Investment Property (Notes 6(m) and 8)	-	-	-	-	22,441	1	<b>Total liabilities</b>	<b>1,503,003</b>	<b>45</b>	<b>1,617,561</b>	<b>46</b>	<b>1,578,708</b>	<b>45</b>
Intangible assets (Note 6(n))	3,086	-	3,540	-	3,627	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 6 (t)) :</b>						
Deferred tax assets	38,440	1	32,691	1	25,641	1	Capital stock	1,794,076	54	1,834,076	52	1,834,076	53
Prepayments on purchase of equipment	1,312	-	6,368	-	3,786	-	Capital surplus	27,585	1	23,873	1	23,873	1
Other non-current financial assets (Notes 6(e), 6(h), 6(j) and 8)	10,466	-	9,292	-	9,259	-	Retained earnings	343,908	10	325,664	9	295,521	9
<b>Total noncurrent assets</b>	<b>678,664</b>	<b>20</b>	<b>628,302</b>	<b>18</b>	<b>653,882</b>	<b>19</b>	Other equity interest	(95,455)	(2)	(74,872)	(2)	(70,592)	(2)
							Treasury stock	(322,567)	(10)	(273,209)	(8)	(273,209)	(8)
<b>TOTAL</b>	<b>\$ 3,324,387</b>	<b>100</b>	<b>3,535,123</b>	<b>100</b>	<b>3,470,631</b>	<b>100</b>	Total equity attributable to shareholders of the parent	1,747,547	53	1,835,532	52	1,809,669	53
							Non-controlling interests(Note 6(k))	73,837	2	82,030	2	82,254	2
							<b>Total equity</b>	<b>1,821,384</b>	<b>55</b>	<b>1,917,562</b>	<b>54</b>	<b>1,891,923</b>	<b>55</b>
							<b>TOTAL</b>	<b>\$ 3,324,387</b>	<b>100</b>	<b>3,535,123</b>	<b>100</b>	<b>3,470,631</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**For the three months and nine months ended September 30, 2018 and 2017**

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

	For the three months ended September 30				For the nine months ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue (Note 6(v),6(w))</b>	\$ 747,559	100	769,121	100	2,112,467	100	2,242,902	100
<b>Operating cost (Notes 6(i) ,6(r)),6(x) and 12)</b>	599,895	80	642,543	84	1,751,651	83	1,855,748	83
<b>Gross profit</b>	147,664	20	126,578	16	360,816	17	387,154	17
<b>Operating expenses (Notes 6(r), 6(x) and 12):</b>								
Selling expenses	44,690	6	45,893	6	137,061	6	137,613	6
General and administrative expenses	32,293	4	32,520	4	93,833	4	93,196	4
Research and development expenses	28,245	4	26,575	3	75,863	4	70,596	3
Reversal of expected credit loss	(92)	-	-	-	(147)	-	-	-
<b>Total operating expenses</b>	105,136	14	104,988	13	306,610	14	301,405	13
<b>Net other income (Note 6(y))</b>	672	-	204	-	1,812	-	821	-
<b>Operating profit</b>	43,200	6	21,794	3	56,018	3	86,570	4
<b>Non operating income and expenses (Note 6(z)):</b>								
Other income	18,842	2	13,334	2	28,878	1	19,582	1
Other gains and losses, net	4,427	1	10,853	1	34,714	1	(52,876)	(3)
Finance cost	(3,006)	-	(3,017)	-	(9,387)	-	(7,362)	-
	20,263	3	21,170	3	54,205	2	(40,656)	(2)
<b>Profit before tax</b>	63,463	9	42,964	6	110,223	5	45,914	2
<b>Less: Tax expense (Note 6(s))</b>	13,541	2	6,879	1	17,655	1	17,266	1
<b>Net Profit</b>	49,922	7	36,085	5	92,568	4	28,648	1
<b>Other comprehensive income :</b>								
<b>Items that will not be reclassified to profit or loss</b>								
Unrealized profit(loss) from investments in equity instruments measured at fair value through other comprehensive income	(1,709)	-	-	-	4,059	-	-	-
Income tax related to items that will not be reclassified to profit or loss (Note 6(s))	-	-	-	-	-	-	-	-
	(1,709)	-	-	-	4,059	-	-	-
<b>Items that will be reclassified into profit or loss :</b>								
Foreign currency translation difference	(3,309)	-	1,108	-	(1,309)	-	(7,189)	-
Unrealized gain(loss) on available-for-sale financial Assets (Note (aa))	-	-	(9,560)	(1)	-	-	24,946	1
Less: Income tax related to items that will be reclassified subsequently (Note(s))	-	-	(869)	-	-	-	336	-
	(3,309)	-	(7,583)	(1)	(1,309)	-	17,421	1
	(5,018)	-	(7,583)	(1)	2,750	-	17,421	1
<b>Other comprehensive income, net</b>								
<b>Comprehensive income</b>	<b>\$ 44,904</b>	<b>7</b>	<b>28,502</b>	<b>4</b>	<b>95,318</b>	<b>4</b>	<b>46,069</b>	<b>2</b>
<b>Profit (loss) attributable to</b>								
Shareholders of the parent	\$ 49,583	7	34,612	5	92,455	4	27,162	1
Non-controlling interests	339	-	1,473	-	113	-	1,486	-
<b>Net Profit (loss)</b>	<b>\$ 49,922</b>	<b>7</b>	<b>36,085</b>	<b>5</b>	<b>92,568</b>	<b>4</b>	<b>28,648</b>	<b>1</b>
<b>Comprehensive income attributable to</b>								
Shareholders of the parent	\$ 41,183	7	27,602	4	87,590	4	44,182	2
Non-controlling interests	3,721	-	900	-	7,728	-	1,887	-
<b>Total comprehensive income</b>	<b>\$ 44,904</b>	<b>7</b>	<b>28,502</b>	<b>4</b>	<b>95,318</b>	<b>4</b>	<b>46,069</b>	<b>2</b>
<b>Earnings per share (Note 6(u))(expressed in New Taiwan Dollars):</b>								
<b>Basic earnings per share</b>	<b>\$ 0.32</b>		<b>0.21</b>		<b>0.58</b>		<b>0.17</b>	
<b>Diluted earnings per share</b>	<b>\$ 0.32</b>		<b>0.21</b>		<b>0.58</b>		<b>0.16</b>	

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, 2018 and 2017**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, not audited)**

	Equity attributable to shareholders of parent											Non-controlling interests	Total Equity
	Common stock	Capital surplus	Retained earnings			Foreign currency translation difference	Other equity interest		Treasury stock	Total equity attributable to shareholders of parent			
			Legal capital reserve	Special capital reserve	Unappropriated earnings		Unrealized gains (losses) on financial assets measured at fair value through Other comprehensive income	Unrealized gain(loss) on available-for-sale financial assets					
<b>Balance as of January 1, 2017</b>	\$ 1,949,076	33,663	21,614	96,448	220,322	(293)	-	(87,319)	(273,209)	1,960,302	80,367	2,040,669	
Profit (loss) for the period	-	-	-	-	27,162	-	-	-	-	27,162	1,486	28,648	
Other comprehensive income (loss) for the period	-	-	-	-	-	(7,117)	-	24,137	-	17,020	401	17,421	
Total comprehensive income (loss) for the period	-	-	-	-	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	
<b>Balance as of September 30, 2017</b>	\$ 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	
<b>Balance as of January 1, 2018</b>	\$ 1,834,076	23,873	40,391	123,710	161,563	(8,709)	-	(66,163)	(273,209)	1,835,532	82,030	1,917,562	
Effects of retrospective application	-	-	-	-	(8,314)	-	(79,429)	66,163	-	(21,580)	(14,820)	(36,400)	
Balance at January 1, 2018 after adjustments	1,834,076	23,873	40,391	123,710	153,249	(8,709)	(79,429)	-	(273,209)	1,813,952	67,210	1,881,162	
Profit for the period	-	-	-	-	92,455	-	-	-	-	92,455	113	92,568	
Other comprehensive income for the period	-	-	-	-	-	(1,172)	(3,693)	-	-	(4,865)	7,615	2,750	
Total comprehensive income for the period	-	-	-	-	92,455	(1,172)	(3,693)	-	-	87,590	7,728	95,318	
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	5,431	-	(5,431)	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(68,349)	-	-	-	-	(68,349)	-	(68,349)	
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-	-	-	
Repurchase of treasury stock	-	-	-	-	-	-	-	-	(89,236)	(89,236)	-	(89,236)	
Cancellation of treasury stock	(40,000)	122	-	-	-	-	-	-	39,878	-	-	-	
Cash dividends to subsidiaries	-	3,590	-	-	-	-	-	-	-	3,590	-	3,590	
Cash dividends distribution of subsidiaries to Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,101)	(1,101)	
Disposal equity instrument at fair value through other comprehensive income	-	-	-	-	2,452	-	(2,452)	-	-	-	-	-	
<b>Balance as of September 30, 2018</b>	\$ 1,794,076	27,585	45,822	109,212	188,874	(9,881)	(85,574)	-	(322,567)	1,747,547	73,837	1,821,384	

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, 2018 and 2017**  
**(expressed in thousands of New Taiwan Dollars)**  
**(Reviewed, not audited)**

	<b>For the nine months ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
<b>Profit(loss) before tax</b>	\$ 110,223	45,914
<b>Adjustments:</b>		
Income and expenses having no effect on cash flows:		
Depreciation expense	48,028	69,111
Amortization expense	1,390	856
Reversal of expected credit loss/ Reversal of provision for bad debt expense	(147)	(14)
Net loss on financial assets or liabilities at fair value through profit or loss	3,584	3,865
Interest expense	9,387	7,362
Interest income	(12,352)	(8,961)
Dividend income	(12,926)	(7,726)
Gain on disposal of property, plant, equipment	(2,826)	(568)
Gain on disposal of investments	-	(19,171)
Unrealized foreign exchange loss(gain)	(33,787)	34,175
Reversal of impairment on investment property	-	(5,664)
Total adjustments to reconcile profit (loss)	351	73,265
Changes in operating assets and liabilities		
Net changes in operating assets:		
Accounts receivable	(5,050)	(123,344)
Other receivable	659	1,568
Inventories	63,262	(61,894)
Other current assets	18,223	(19,052)
Total net changes in operating assets	77,094	(202,722)
Net changes in operating liabilities:		
Notes payable	(260)	(932)
Accounts payable	4,669	68,490
Other payables	(11,093)	(51,318)
Other current liabilities	(1,265)	(3,068)
Net defined benefit liability	(1,836)	(1,896)
Total net change in operating liabilities	(9,785)	11,276
Total net change in operating asset and liabilities	67,309	(191,446)
Total adjustments	67,660	(118,181)
Cash generated from operating activities	177,883	(72,267)
Interest received	12,632	8,250
Dividends received	12,838	7,726
Interest paid	(8,706)	(6,992)
Income taxes paid	(11,383)	(13,646)
<b>Net cash flows from operating activities</b>	183,264	(76,929)
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(58,780)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	189,195	-
Acquisition of financial assets at fair value through profit or loss	(98,356)	-
Proceeds from disposal of financial assets at fair value through profit or loss	22,405	-
Acquisition of available-for-sale financial assets	-	(192,517)
Proceeds from disposal of available-for-sale financial assets	-	238,862
Proceeds from disposal of Debt Instrument Without Active Market	-	418,914
Prepayments on long-term equity investment	(2,700)	-
Acquisition of property, plant and equipment	(100,928)	(23,479)
Proceeds from disposal of property, plant, equipment	3,351	1,226
Acquisition of intangible assets	(935)	(613)
Decrease in other financial assets	1,411	477
Increase in prepayments on purchase of equipment	-	(3,410)
<b>Net cash flows used in investing activities</b>	(45,337)	439,460
<b>Cash flows from financing activities:</b>		
Decrease in short-term loans	(127,000)	(239,000)
Increase in long-term loans	-	400,000
Increase in guarantee deposits received	223	-
Cash dividends	(65,860)	(66,432)
Payments to acquire treasury shares	(89,236)	(128,382)
<b>Net cash provided by (used in) financing activities</b>	(281,873)	(33,814)
Effects of changes in foreign exchange rates	25,131	(21,060)
Net (Decrease ) increase in cash and cash equivalent	(118,815)	307,657
Cash and cash equivalents, beginning of the period	1,148,720	744,653
Cash and cash equivalents, end of the period	<b>\$ 1,029,905</b>	<b>1,052,310</b>

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, 2018 and 2017

(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 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 2, 2018.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018:

<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
Amendment to IAS 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 IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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 follows:

#### 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.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in selling expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The significant changes in accounting policies due to the application of IFRS 9 are as follows:

##### 1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such and instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value. Please refer to Note 4(c) for an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9.

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

##### 2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Please refer to Note 4(c) for an explanation of impairment of financial assets under IFRS 9.

##### 3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed 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.
- When initial applying date of IFRS 9, the Group may determine that credit risk of debt securities has not increased significantly if the asset has low credit risk.

#### 4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (There is no change in both categories and carrying value of financial liabilities.)

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and equivalents	Loans and receivables	\$ 1,148,720	Amortized cost	1,148,720
Debt instruments	Available-for-sale (Note 1)	264,014	measured at FVTPL	264,014
Investments in debt instrument without active market	Loans and receivables (Note 2)	4,970	Amortized cost	4,970
Equity instruments	Available-for-sale (Note 3)	153,616	measured at FVOCI	153,616
	Carried at cost (Note 4)	185,000	measured at FVOCI	148,600
	Carried at cost	-	measured at FVTPL	-
Accounts receivable, net	Loans and receivables (Note 5)	507,110	Amortized cost	507,110
Other financial assets (refundable deposits)	Loans and receivables (Note 5)	8,745	Amortized cost	8,745

Except Cash and cash equivalents, Investments in debt instrument without active market, Accounts receivable, net and other financial assets (refundable deposits), the following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity	2018.1.1 Non-controlling interests	Remarks
Financial assets at FVTPL								
Debt instruments :								
From available-for-sale	\$ -	264,014	-	264,014	(8,314)	8,314	-	(Note 1)
Total	\$ -	264,014	-	264,014	(8,314)	8,314	-	
Financial assets at FVOCI								
Equity instruments :								
Available-for-sale	\$ 153,616	-	-	153,616	-	-	-	
From Financial assets carried at cost	-	185,000	(36,400)	148,600	-	(21,580)	(14,820)	(Note 4)
Debt instruments :								
From available-for-sale to FVTPL	264,014	(264,014)	-	-	-	-	-	
Total	\$ 417,630	(79,014)	(36,400)	302,216	-	(21,580)	(14,820)	

Note 1 : Under IAS 39, these debt instruments (Open-end mutual funds) were designated as available for sale financial assets. The finance department of the Group holds the portfolio to acquire the dividends but might sell these debt instruments during the normal operation to meet its liquidity demand. The Group thinks the business model to invest the funds is not solely to receive cash flow and sell financial asset. These funds were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as measured at FVTPL under IFRS 9. At initial application of IFRS 9, it results in an increase of \$8,314 in other equity and a decrease of \$8,314 in retained earnings, respectively.

Note 2 : Under IAS 39, restricted time deposits were designated as debt instrument without active market, classified as Loans and receivables. As permitted by IFRS 9, these assets were reclassified as financial assets measured at Amortized cost. The Group intends to hold these assets to maturity date to receive contract cash flow. The cash flow of financial assets is to pay principal and outstanding interest of the principal.

Note 3 : As permitted by IFRS 9, the Group has designated these available for sale financial assets at the date of initial application as mandatorily measured at FVOCI.

Note 4 : These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, a decrease of \$36,400 in carrying amount of financial assets carried at cost, and the decrease of \$21,580 and \$14,820 in other equity interest and Non-controlling interests were recognized on January 1, 2018.

Note 5 : Accounts receivables, other receivables and refundable deposits that were classified as loans and receivables under IAS 39 are now recognized at amortized cost of financial assets.

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

IFRS 15 replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it needs not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. Please refer to Note 4(d) and 4(e) for an explanation of the related accounting policies of revenue under IFRS 15.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Group believes 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.

#### 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.

To satisfy the new disclosure requirements, the Group presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as Note 6(ae).

#### 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 estimates the application of the abovementioned amendments would change the estimate of deferred tax asset. However there was no material impact on the consolidated financial statements for third quarter of 2018.

#### 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 plans to apply IFRIC22 prospectively to all assets, profit and loss are recognized after the date of the initial application (1 January 2018). However there was no material impact on the consolidated financial statements for third quarter of 2018.

#### (ii) The impact of IFRS endorsed by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No.1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendment to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendment to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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 follows:

#### A. IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases—Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group’s discounting rate, the composition of the Group’s lease portfolio at that date, the Group’s latest assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses, and factory facilities, while the amount needs further evaluation. Besides, the Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with loan covenants.

#### 1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- A practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

#### 2) Transition

As a lessee, the Group can apply the standard using either of the following:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

#### B. IFRIC 23 “Uncertainty over Income Tax Treatments”

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.

So far, the most significant impact identified is that the Group will have to recognize the tax liabilities and tax expenses generated from uncertainty over income tax treatments, while the amount needs further evaluation.

#### (iii) 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.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance contracts”	January 1, 2021

The abovementioned new standards and amendments issued by the IASB but not yet endorsed by the FSC will not be relevant to the Group.

#### 4. Summary of Significant Accounting Policies

##### (a) Statement of compliance

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The 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. These consolidated financial statements do not include all of the information required by the Regulations and by the IFRS endorsed by the FSC for full annual consolidated financial statements.

Except as described below, 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, 2017. Please refer to Note 4 of 2017 consolidated financial statement for detail information.

#### (b) Basis of consolidation

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

Name of investor	Name of the subsidiary	Business Activity	Percentage ownership			Remarks
			2018.9.30	2017.12.31	2017.9.30	
The Company	Emerging Display Technologies Corp., 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	Customer service and business support	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) Financial instruments (applicable from January 1, 2018)

##### (i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

#### 1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost, less impairment losses, using the effective interest method. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### 2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

#### 3) Fair value through profit or loss (FVTPL)

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

#### 4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- debt instruments that are determined to have low credit risk at the reporting date; and
- other debt instruments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets is always measured at an amount equal to lifetime ECL.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that results from default events that is possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including forward-looking information.

If there is a low risk of default on financial asset, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the financial asset would be considered low credit risk.

When the contract amount is past due or the borrower is unlikely to pay its credit obligations to the Group in full, the Group considers the credit risk on a financial asset has increased significantly or a financial asset to be in default.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

ECLs are a probability-weighted estimate of the expected lifetime credit losses on financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the Group in accordance with the contracts and the cash flow the Group expects to receive). ECLs are discounted based on the effective rate of financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognized in other comprehensive income, and the amount of loss allowances (or reversal) is charged to profit or loss.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other company.

On derecognition of a debt instrument in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income” is recognized in profit or loss.

On partial derecognition of a debt instrument in its entirety, the Group separates the carrying amount into the part of debt instrument that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss. The cumulative gain or loss that had been recognized in other comprehensive income would be separated into the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

#### (ii) Derivative financial instruments, and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Derivatives are subsequently remeasured to fair value, and the resulting gain or loss is recognized in profit or loss immediately.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

#### **(d) Revenue from contracts with customers (applicable from January 1, 2018)**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The accounting policies for the Group's main types of revenue are explained below.

##### **(i) Sale of good**

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group provides standard warranties for goods sold and has obligation to refund payments for the defective goods, in which the Group has recognized provisions for warranties to fulfill the obligation.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

Contract liability is primarily generated from advanced receipts of commodity sales contract. The Group will recognize revenue when deliver commodity to customers.

##### **(ii) Financing components**

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

#### **(e) Contract cost with customers (Applicable from January 1, 2018)**

##### **(i) Incremental cost of obtaining a contract**

If the Group is expected to receive the incremental cost of obtaining customer's contract, the cost should recognize as asset. Incremental costs are costs that would not have been incurred had that individual contract not been obtained. Any other costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless of whether the contract is obtained. As a practical expedient, incremental costs of obtaining a contract can be expensed if the amortization period would be one year or less.

##### **(ii) Costs to fulfil a contract**

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

In accounting for costs to fulfil a contract, the Group must first assess whether the costs fall within the scope of another IFRS (eg IAS 2 Inventories, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets) and, if so, account for them in accordance with that standard. The Group can only recognize the cost as an asset only if they:

- Relate directly to a contract, or to an anticipated contract that can be specifically identified
- Generate or enhance resources to be used to satisfy performance obligations in future, and
- Are expected to be recovered.

General and administrative costs that are not explicitly chargeable to the customer and the costs of wasted materials, labor and other resources that were not reflected in the price of the contract do not qualify. Costs relating to satisfied or partially satisfied performance obligations must be expensed.

#### **(f) 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.

When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in the period at once.

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.

#### **(g) Employee benefit**

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

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

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

Except as described below, in preparing the consolidated financial statements, critical accounting judgments and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2017.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The Group has estimated the loss allowance of receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(g).

#### 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, 2017. Please refer to Note 6 of 2017 consolidated financial statements.

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

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Cash and cash equivalents	\$ 247	248	262
Demand deposits	286,790	258,634	297,734
Check deposits	992	2,647	607
Time deposits	711,351	857,088	692,946
Repurchase agreement	30,525	30,103	60,761
Total	<b>\$ 1,029,905</b>	<b>1,148,720</b>	<b>1,052,310</b>

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

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Current financial assets mandatorily measured at fair value through profit or loss :			
Open-end mutual funds	\$ 130,206	-	-
Swap Contract	106	-	-
Current financial assets held-for-trading :			
Swap Contract	-	-	790
Total	<b>\$ 130,312</b>	<b>-</b>	<b>790</b>
Current financial liabilities measured at fair value through profit or loss :			
Swap Contract	<b>\$ 297</b>	<b>-</b>	<b>-</b>

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

The Group entered into derivative instruments to manage exposure to currency risk arising from operating activities and doesn't applicable to hedge accounting. The Group's derivative instruments were as follows (as of September 30, 2018, presented under financial assets mandatorily measured at FVTPL and financial liabilities measured at FVTPL; as of September 30, 2017, presented under financial assets held for trading):

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<b>2018.9.30</b>		
	<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity period</b>
Swap Contract	USD 3,000	TWD to USD	2018.11.13~2018.12.28
	<b>2017.9.30</b>		
	<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity period</b>
Swap Contract	USD 3,000	TWD to USD	2017.12.05~2017.12.22

Please refer to Note 6(ab) for credit risk and market risk.

#### (c) Financial assets at fair value through other comprehensive income

	<b>2018.9.30</b>
Equity instruments at fair value through other comprehensive income-current:	
Listed stocks in Taiwan	<u><u>\$ 213,741</u></u>
Equity instruments at fair value through other comprehensive income-noncurrent:	
Unlisted companies stocks in Taiwan	\$ 167,640
Listed preferred stocks in Taiwan	<u>845</u>
	<u><u>\$ 168,485</u></u>

Please refer to Note 13(a)(iii) for the details of equity instruments.

The purpose that the Group invests in the abovementioned equity instruments is for longterm strategies, but rather for trading purpose. Therefore, those equity securities are designated as at FVOCI, whereas, were presented under available-for-sale financial assets and financial assets carried at cost as of December 31, 2017 and September 30, 2017. Please refer to note 6(d) and 6(f).

For the three months and the nine months ended September 30, 2018, the Group has recognized dividend income \$12,236 and \$12,926 from the abovementioned equity instruments designated at fair value through other comprehensive income, respectively.

With the objective of investment and financial management, the Group has sold its share held in Synnex Technology International Corp. at fair value of \$22,496 on May 7, 2018, and accumulated gain on disposal of investments was \$2,452 which had been reclassified from other equity interest to retained earnings.

Please refer to Note 6(ab) for market risk.

The abovementioned financial assets were not pledged as collateral.

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 transfer risk and remuneration of these financial assets, and they are hence not derecognized. As of September 30, 2018, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$29,409.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (d) Available-for-sale financial assets

	<b>2017.12.31</b>	<b>2017.9.30</b>
Listed stocks in Taiwan	\$ 153,616	142,243
Open-end mutual funds	264,014	264,434
	<b>\$ 417,630</b>	<b>406,677</b>

Please refer to Note 6(ab) for credit risk and market risk.

The abovementioned financial assets were not pledged as collateral.

These investments were recognized as financial assets at FVOCI on September 30, 2018, please refer to note 6(c).

For the purpose of increasing investment benefits, the Group entrusts partial listed companies as the beneficiary. According to the terms of the contract, the Group does not transfer risk and remuneration of these financial assets, and they are hence not derecognized. As of December 31 and September 30, 2017, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$31,898 and \$17,800, respectively.

#### (e) Current investments in debt instrument without active market

	<b>2017.12.31</b>	<b>2017.9.30</b>
Restricted Certificate Deposit-current	<b>\$ 4,970</b>	<b>2,071</b>
Current	\$ 4,423	1,514
Non-current(recorded in other noncurrent financial assets)	547	557
	<b>\$ 4,970</b>	<b>2,071</b>

The abovementioned financial assets were recognized as other financial assets in other current assets as of September 30, 2018. Please refer to note 6(j).

The abovementioned financial assets pledged as collateral for loans are disclosed in Note 8.

#### (f) Financial assets at cost

	<b>2017.12.31</b>	<b>2017.9.30</b>
Unlisted stocks	<b>\$ 185,000</b>	<b>185,000</b>

The abovementioned investments held by the Group were measured at cost less impairment as of December 31 and September 30, 2017. Due to it belongs to trade without active market, therefore, the Group management had determined that the fair value cannot be measured reliably. The assets were recognized as financial assets measured at FVOCI as of September 30, 2018. Please refer to note 6(c).

Please refer to Note 6(ab) for market risk.

The abovementioned financial assets were not pledged as collateral.



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (g) Accounts receivable

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Accounts receivables-measured at amortized cost	\$ 521,865	513,052	510,325
Allowance for impairment	(18,925)	(22,644)	(22,618)
	<b>\$ 502,940</b>	<b>490,408</b>	<b>487,707</b>

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on September 30, 2018. To measure the expected credit losses, accounts receivables have been grouped based on past default experience of the customers and shared credit risk characteristics, as well as incorporate forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of September 30, 2018 was determined as follows :

	<b>Carrying amount of Accounts Receivable</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance for lifetime expected credit losses</b>
Not over due	\$ 421,405	-	-
Over due less than 90 days	79,645	-	-
Over due 91~270 days	2,044	8%	154
Over due over 271 days	18,771	100%	18,771
	<b>\$ 521,865</b>		<b>18,925</b>

As of December 31, 2017 and September 30, 2017, the Group measured the loss allowance for accounts receivable using the incurred credit loss model. As of December 31, 2017 and September 30, 2017, the aging analysis of unimpaired overdue receivables was as follows:

	<b>2017.12.31</b>	<b>2017.9.30</b>
Over due less than 30 days	\$ 77,067	38,758
Over due 31~90 days	18,920	7,287
Over due 91~270 days	5,335	2,620
Over due over 271 days	32	69
	<b>\$ 101,354</b>	<b>48,734</b>

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Notes to consolidated financial statements**

	<u>For the nine months ended September 30</u>		
	<u>2018</u>	<u>2017</u>	
			<u>Individually assessed for impairment</u>
Balance at January 1, per IAS 39	\$ 22,644	22,345	303
Adjustments on initial application of IFRS 9	-		
Balance at January 1, per IFRS 9	22,644		
Reversal of impairment loss	(147)	-	(14)
Effect of changes in foreign currency exchange rates	1	-	(16)
Written off unrecoverable amount	(3,573)	-	-
Ending balance	<u>\$ 18,925</u>	<u>22,345</u>	<u>273</u>

The abovementioned financial assets were not pledged as collateral.

**(h) Other receivables and Refundable deposits**

	<u>2018.9.30</u>	<u>2017.12.31</u>	<u>2017.9.30</u>
Other receivables	\$ 15,851	19,530	21,618
Refundable deposits	7,204	8,745	8,702
allowance for doubtful accounts	-	(2,828)	(2,875)
	<u>\$ 23,055</u>	<u>25,447</u>	<u>27,445</u>
Book as :			
Net other receivables	\$ 15,851	16,702	18,743
Other financial assets – noncurrent	7,204	8,745	8,702
	<u>\$ 23,055</u>	<u>25,447</u>	<u>27,445</u>

The Group had no other receivables which were over due but not impaired as of December 31, 2017 and September 30, 2017.

For the nine months ended September 30, 2017, the movement in the provision for individually assessed for impairment loss with respect to other receivables was as follows:

	<u>Amount</u>
Balance at January 1, 2017	\$ 3,064
Effect of changes in foreign currency exchange rates	(189)
Ending balance	<u>\$ 2,875</u>

Please refer to Note 6(ab) for credit risk.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### (i) Inventory

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Raw materials	\$ 255,639	216,886	246,347
Work in process	231,445	301,857	312,889
Finished goods	217,806	257,127	247,113
Inventories in transit	13,259	7,439	2,749
	<b>\$ 718,149</b>	<b>783,309</b>	<b>809,098</b>

For the nine months ended September 30, 2018 and 2017, and for the three months ended September 30, 2018, the previous write-down inventories had been sold and the net realizable value of inventories lowered than cost was no longer existed, the reversal of write-downs amounted to \$14,471, \$2,973, and \$813 were recognized in the reduction of operating costs, respectively. For the three months ended September 30, 2017, write-down inventory to net realized value amounted to \$158 which was recognized in the cost of revenue.

Inventories were not pledged as collateral.

#### (j) Other assets

The details of other assets are as follows:

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Income tax refund receivable	\$ 2,323	1,655	2,521
Prepayment for purchases	8,081	5,274	7,640
Prepaid expense	5,288	8,221	6,310
Prepaid sales tax	9,971	29,060	21,304
Restricted Certificate Deposit	5,116	-	-
Prepaid investment	2,700	-	-
Other	3,043	-	-
	<b>\$ 36,522</b>	<b>44,210</b>	<b>37,775</b>

Book as :

Other current assets	\$ 33,260	44,210	37,775
Other financial assets — noncurrent	3,262	-	-
	<b>\$ 36,522</b>	<b>44,210</b>	<b>37,775</b>

The abovementioned other financial assets was certificate deposit recognized as debt investment without active market as of December 31 and September 30, 2017. Please refer to Note 6(e). The abovementioned other financial assets pledged as collateral for loans were disclosed in Note 8.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

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

<u>Name of subsidiaries</u>	<u>Principal place of business</u>	<u>Proportion of non-controlling interest voting equity</u>		
		<u>2018.9.30</u>	<u>2017.12.31</u>	<u>2017.9.30</u>
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%	4.2%

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

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

	<u>2018.9.30</u>	<u>2017.12.31</u>	<u>2017.9.30</u>
Current Asset	\$ 10,249	12,762	12,804
Non-Current Asset	135,120	150,000	150,000
Current Liability	-	(180)	-
Net Asset	<u>\$ 145,369</u>	<u>162,582</u>	<u>162,804</u>
Non-Controlling equity carrying amount	<u>\$ 69,051</u>	<u>77,227</u>	<u>77,332</u>

	<u>July to September, 2018</u>	<u>July to September, 2017</u>	<u>January to September, 2018</u>	<u>January to September, 2017</u>
Operating revenue	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit (loss)	\$ (6)	2,708	(15)	2,698
Other comprehensive income	7,440	(1,343)	16,320	995
Comprehensive income	<u>\$ 7,434</u>	<u>1,365</u>	<u>16,305</u>	<u>3,693</u>
Profit (loss) attributable to non-controlling interest	<u>\$ (3)</u>	<u>1,286</u>	<u>(7)</u>	<u>1,281</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 3,532</u>	<u>648</u>	<u>7,745</u>	<u>1,754</u>

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Notes to consolidated financial statements**

	<u>January to September, 2018</u>	<u>January to September, 2017</u>
Cash flow from operating activities	\$ (198)	181
Cash flow from investing activities	-	7,516
Cash flow from financing activities	<u>(2,317)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (2,515)</u>	<u>7,697</u>

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

	<u>2018.9.30</u>	<u>2017.12.31</u>	<u>2017.9.30</u>
Current Asset	\$ 125,064	135,885	144,815
Non-Current Asset	13,060	10,666	10,643
Current Liability	<u>(24,166)</u>	<u>(32,179)</u>	<u>(38,259)</u>
Net Asset	<u>\$ 113,958</u>	<u>114,372</u>	<u>117,199</u>
Non-Controlling equity carrying amount	<u>\$ 4,786</u>	<u>4,803</u>	<u>4,922</u>

	<u>July to September, 2018</u>	<u>July to September, 2017</u>	<u>January to September, 2018</u>	<u>January to September, 2017</u>
Operating revenue	<u>\$ 81,061</u>	<u>93,784</u>	<u>207,495</u>	<u>263,084</u>
Net profit (loss)	\$ 8,117	4,446	2,847	4,872
Other comprehensive income	<u>(3,623)</u>	<u>1,565</u>	<u>(3,262)</u>	<u>(1,710)</u>
Comprehensive income	<u>\$ 4,494</u>	<u>6,011</u>	<u>(415)</u>	<u>3,162</u>
Profit attributable to non-controlling interest	<u>\$ 342</u>	<u>187</u>	<u>120</u>	<u>205</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 189</u>	<u>252</u>	<u>(17)</u>	<u>133</u>

	<u>January to September, 2018</u>	<u>January to September, 2017</u>
Cash flow from operating activities	\$ 6,818	(11,055)
Cash flow from investing activities	(1,104)	(207)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	<u>(519)</u>	<u>(692)</u>
Net increase in cash and cash equivalents	<u>\$ 5,195</u>	<u>(11,954)</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2018	\$ 47,370	993,922	2,570,386	31,291	98,296	3,741,265
Additions	25,659	19,555	5,431	253	61,312	112,210
Reclassification	-	2,938	6,956	-	(9,894)	-
Disposals	-	(1,695)	(6,635)	(3,648)	-	(11,978)
Effect of movements in exchange rates	<u>1,218</u>	<u>(887)</u>	<u>(6,406)</u>	<u>62</u>	<u>(166)</u>	<u>(6,179)</u>
Balance at September 30, 2018	<u>\$ 74,247</u>	<u>1,013,833</u>	<u>2,569,732</u>	<u>27,958</u>	<u>149,548</u>	<u>3,835,318</u>
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	<u>(3,168)</u>	<u>(1,875)</u>	<u>(3,277)</u>	<u>(504)</u>	<u>(46)</u>	<u>(8,870)</u>
Balance at September 30, 2017	<u>\$ 48,166</u>	<u>994,074</u>	<u>2,568,770</u>	<u>31,430</u>	<u>154,425</u>	<u>3,796,865</u>
Depreciation						
Balance at January 1, 2018	\$ -	766,947	2,486,900	29,346	66,661	3,349,854
Depreciation for the year	-	10,895	23,310	647	13,176	48,028
Disposals	-	(1,695)	(6,574)	(3,648)	-	(11,917)
Effect of movements in exchange rates	<u>-</u>	<u>(1,135)</u>	<u>(6,328)</u>	<u>53</u>	<u>(112)</u>	<u>(7,522)</u>
Balance at September 30, 2018	<u>\$ -</u>	<u>775,012</u>	<u>2,497,308</u>	<u>26,398</u>	<u>79,725</u>	<u>3,378,443</u>
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	<u>-</u>	<u>(1,069)</u>	<u>(3,145)</u>	<u>(468)</u>	<u>(1)</u>	<u>(4,683)</u>
Balance at September 30, 2017	<u>\$ -</u>	<u>763,312</u>	<u>2,477,450</u>	<u>29,251</u>	<u>122,724</u>	<u>3,392,737</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Total</u>
Carrying amounts:						
Balance at January 1, 2018	\$ 47,370	226,975	83,486	1,945	31,635	391,411
Balance at September 30, 2018	\$ 74,247	238,821	72,424	1,560	69,823	456,875
Balance at January 1, 2017	\$ 51,334	241,254	120,059	3,022	43,358	459,027
Balance at September 30, 2018	\$ 48,166	230,762	91,320	2,179	31,701	404,128

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

Property, plant and equipment pledged as collateral for long-term loans and finance were disclosed in note 8.

#### (m) Investment property

The details of investment property were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Carrying amount 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
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
Carrying amounts:			
Balance at January 1, 2017	\$ 10,079	6,968	17,047
Balance at September 30, 2017	\$ 10,079	12,362	22,441

In June, 2017, the Group re-tested the impairment of the cash generating unit, and estimated its recoverable amount was higher than its carrying amount, therefore, reversed reversal of impairment amount \$5,664. Reversal of impairment loss was recognised as other gain or loss in the consolidated statements of comprehensive income. 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 was 1.845%.

The fair value of investment property is measured by the finance department. The finance department has assessed the investment property based on its location and category. The fair value of the Group's investment property was determined by Level 3 fair value measurement inputs.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

When measuring the fair value of investment property, the Group considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. The fair value of Group's investment property as of June 30, 2017 had no significant difference with 2016 consolidated financial statements disclosed in Note 6(k).

The investment property was sold in November, 2017.

As of September 30, 2017, the investment property had been pledged as collateral for finance were disclosed in note 8.

#### (n) Intangible assets

	Patent and other	Computer software cost	Total
Book value detail as below:			
Balance at January 1, 2018	\$ <u>2,002</u>	<u>1,538</u>	<u>3,540</u>
Balance at September 30, 2018	\$ <u>1,812</u>	<u>1,274</u>	<u>3,086</u>
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>

There was no increase for acquisition, disposal, reversal or write-down of impairment loss of intangible assets for the nine months ended September 30, 2018 and 2017. Please refer Note 12(a) for amortization amount. Other related information, please refer to Note 6(l) of 2017 consolidated financial statements.

Intangible assets were not pledged as collateral.

#### (o) Short-term loans

The details of short-term loans were as follows:

	2018.9.30	2017.12.31	2017.9.30
Unsecured bank loans	\$ 430,000	557,000	373,000
Secured bank loans	-	-	100,000
Total	<u>\$ 430,000</u>	<u>557,000</u>	<u>473,000</u>
Unused lines of credit	<u>\$ 1,250,926</u>	<u>1,130,126</u>	<u>1,202,236</u>
Interest rates applied	<u>0.95%~1.05%</u>	<u>0.88%~1.05%</u>	<u>0.95%~1.045%</u>

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

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's acceptance credit for purchases of raw materials amounted to \$4,988, \$8,917 and \$12,321, respectively.

#### (p) Long-term loans

The details of long-term loans were as follows:



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Secured bank loans	\$ 400,000	400,000	400,000
Less: discount on debt payable	(1,199)	(1,754)	(1,938)
Total	<b>\$ 398,801</b>	<b>398,246</b>	<b>398,062</b>
Book as :			
Current portion of long-term loans	\$ 79,760	-	-
Long-term loans	319,041	398,246	398,062
Total	<b>\$ 398,801</b>	<b>398,246</b>	<b>398,062</b>
Unused lines of credit	<b>\$ 400,000</b>	<b>400,000</b>	<b>400,000</b>
Interest rates applied	<b>1.8013%</b>	<b>1.7895%</b>	<b>1.7895%</b>

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. On August 15, 2017, an amount of \$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 \$80,000 respectively. The third repayment will be \$240,000.

For the related information and concerned restricted terms, please refer to Note 6(n) of 2017 consolidated financial statements.

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

#### **(q) Operating lease**

There was no increase for operating lease for the nine months ended September 30, 2018 and 2017. Please refer to Note 6(o) of the 2017 consolidated financial statements.

#### **(r) Employee Benefit**

##### **(i) Defined benefit plan**

There were 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 were calculated based on actuarial adopted on December 31, 2017 and 2016.

Cost recognized in expense was as below:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<u>July to September, 2018</u>	<u>July to September, 2017</u>	<u>January to September, 2018</u>	<u>January to September, 2017</u>
Operating cost	\$ 365	371	1,098	1,115
Selling expenses	16	15	49	47
General and administrative expenses	52	49	153	144
Research and development expenses	41	38	122	114
	<u>\$ 474</u>	<u>473</u>	<u>1,422</u>	<u>1,420</u>

#### (ii) Defined Contribution Plan

Cost recognized in expense was as below :

	<u>July to September, 2018</u>	<u>July to September, 2017</u>	<u>January to September, 2018</u>	<u>January to September, 2017</u>
Operating cost	\$ 5,583	5,804	16,920	16,997
Selling expenses	1,366	1,226	3,897	3,753
General and administrative expenses	487	504	1,539	1,487
Research and development expenses	586	584	1,742	1,699
	<u>\$ 8,022</u>	<u>8,118</u>	<u>24,098</u>	<u>23,936</u>

#### (s) Income tax

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by management.

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax amounted to 5,725 was recognized in full in the first quarter of 2018.

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
Current tax expense				
Current	\$ 13,541	6,729	23,380	17,164
Adjustment on prior years	-	185	-	184
	<u>13,541</u>	<u>6,914</u>	<u>23,380</u>	<u>17,348</u>
Deferred tax expense				
Origination and reversal of temporary differences	-	(35)	-	(82)
Change in tax rate	-	-	(5,725)	-
	<u>-</u>	<u>(35)</u>	<u>(5,725)</u>	<u>(82)</u>
The amounts of income tax	<u>\$ 13,541</u>	<u>6,879</u>	<u>17,655</u>	<u>17,266</u>

For the nine months ended September 30, 2018 and 2017, no income tax was recognized directly in equity.

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

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
Item would be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	\$ -	(869)	-	336

The Group's income tax returns for all fiscal years up to 2016 have been examined and approved by the R.O.C. tax authority.

#### (t) Share capital and other equity

The Group had no share capital change for the nine months ended September 30, 2018 and 2017 except below statement. Please refer to Note 6(r) of 2017 consolidated financial statements for detail information.

##### (i) Common Stock

As of September 30, 2018, December 31 and September 30, 2017, 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 was as follows:

(Expressed in thousand of shares)	Common Stock	
	January to September, 2018	January to September, 2017
Balance at January 1, 2018	183,408	194,908
Cancellation of treasury shares	(4,000)	(11,500)
Balance at September 30, 2018	<u>179,408</u>	<u>183,408</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

As of September 30, 2018, December 31 and September 30, 2017, 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 153,613, 162,613 thousand shares and 162,613 thousand shares, respectively.

#### (ii) Capital surplus

Capital surplus was as follows:

	<b>2018.9.30</b>	<b>2017.12.31</b>	<b>2017.9.30</b>
Treasury stock	<b>\$ 27,585</b>	<b>23,873</b>	<b>23,873</b>

#### (iii) Earnings distribution

The appropriation of 2017 and 2016 earnings had been approved by the Company's shareholders meeting on June 12, 2018 and June 8, 2017. The appropriation and dividend per share were as follows:

	<b>2017</b>	<b>2016</b>
Cash dividend to shareholders (TWD)		
Cash	<b>\$ 0.40827680</b> (Note 1)	<b>0.40852705</b> (Note 2)

Note 1: The Company's shareholders meeting resolved to pay dividends TWD0.4 per share but adjusted to TWD0.40827680 per share due to treasury stock affected outstanding shares.

Note 2: The Company's shareholders meeting resolved to pay dividends TWD0.4 per share but adjusted to TWD0.40852705 per share due to treasury stock affected outstanding shares.

#### (iv) Other equity

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Unrealized gains (losses) on financial assets measured at FVOCI</b>	<b>Unrealized gains (losses) on available-for-sale financial assets</b>	<b>Total</b>
Balance at January 1, 2018	\$ (8,709)	-	(66,163)	(74,872)
Adjustments on initial application of new standards	-	(79,429)	66,163	(13,266)
Balance at January 1, 2018 after adjustments	(8,709)	(79,429)	-	(88,138)
— Changes of the Group	(1,172)	(3,693)	-	(4,865)
— Disposal of investments in equity instrument at FVOCI	-	(2,452)	-	(2,452)
Balance at September 30, 2018	<b>\$ (9,881)</b>	<b>(85,574)</b>	<b>-</b>	<b>(95,455)</b>
Balance at January 1, 2017	\$ (293)	-	(87,319)	(87,612)
— Changes of the Group	(7,117)	-	24,137	17,020
Balance at September 30, 2017	<b>\$ (7,410)</b>	<b>-</b>	<b>(63,182)</b>	<b>(70,592)</b>

#### (v) Treasury stock

The changes of treasury stocks were as follows:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(Expressed in thousand of shares)

<u>Reason to buy back</u>	<u>Beginning Shares</u>	<u>Increase shares</u>	<u>Decrease shares</u>	<u>Ending share</u>
<b>January to September, 2018</b>				
Maintain the Company's credit and stockholders' equity	-	9,000	(4,000)	5,000
Transfer to employees	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
	<u><b>12,000</b></u>	<u><b>9,000</b></u>	<u><b>(4,000)</b></u>	<u><b>17,000</b></u>
<b>January to September, 2017</b>				
Maintain the Company's credit and stockholders' equity	-	11,500	(11,500)	-
Transfer to employees	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
	<u><b>12,000</b></u>	<u><b>11,500</b></u>	<u><b>(11,500)</b></u>	<u><b>12,000</b></u>

The Company's Board of Directors held on March 2 and August 3, 2018, respectively, approved to repurchase 9,000 thousand shares of its stock, which were completed. Resolution passed during the boarding meeting held on May 4 to retire 4,000 thousand shares of its treasury stock. The Company's Board of Directors held on January 5 and February 20, 2017, respectively, approved to repurchase 11,500 thousand shares of its stock. Resolution passed during the boarding meeting held on February 9 and May 9, 2017, respectively, to retire 11,500 thousand shares of its treasury stock. The related registration procedures had been finished.

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, 2018 and 2017, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of September 30, 2018, December 31, 2017 and September 30, 2017, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock, and their market values amounted to \$83,195, \$87,944 and \$84,866, respectively.

#### (u) Earnings per share

	<u>July to September, 2018</u>	<u>July to September, 2017</u>	<u>January to September, 2018</u>	<u>January to September, 2017</u>
<b>Basic earnings per share</b>				
Profit attributable to owners of parent	<u>\$ 49,583</u>	<u>34,612</u>	<u>92,455</u>	<u>27,162</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	<u>156,775</u>	<u>162,613</u>	<u>159,215</u>	<u>164,172</u>
Expressed in New Taiwan dollars	<u>\$ 0.32</u>	<u>0.21</u>	<u>0.58</u>	<u>0.17</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
<b>Diluted earnings per share</b>				
Profit attributable to owners of parent	<u>\$ 49,583</u>	<u>34,612</u>	<u>92,455</u>	<u>27,162</u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	156,775	162,613	159,215	164,172
Effect of potentially dilutive ordinary stock:				
– Employee bonus (expressed in thousands of shares)	<u>352</u>	<u>232</u>	<u>709</u>	<u>495</u>
Weighted-average number of ordinary shares- diluted (expressed in thousands of shares)	<u>157,127</u>	<u>162,845</u>	<u>159,924</u>	<u>164,667</u>
Expressed in New Taiwan dollars	<u>\$ 0.32</u>	<u>0.21</u>	<u>0.58</u>	<u>0.16</u>

In computing above basic earnings (loss) per share of ordinary stock for the nine months ended September 30, 2018 and 2017, 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.

#### (v) Revenue from Contracts with Customers

##### (i) Disaggregation of revenue

	July to September, 2018				
	Domestic	North America	Mainland China	Other operating department	
Primary geographical markets:					
Europe	\$ 309,089	1,021	-	-	310,110
USA	-	124,852	-	-	124,852
Others	<u>110,820</u>	<u>201,777</u>	-	-	<u>312,597</u>
Total	<u>\$ 419,909</u>	<u>327,650</u>	<u>-</u>	<u>-</u>	<u>747,559</u>
Major products:					
Liquid crystal display modules	\$ 229,383	240,863	-	-	470,246
Capacitive touch panel and capacitive touch panel module	180,104	85,668	-	-	265,772
Other	<u>10,422</u>	<u>1,119</u>	-	-	<u>11,541</u>
Total	<u>\$ 419,909</u>	<u>327,650</u>	<u>-</u>	<u>-</u>	<u>747,559</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	January to September, 2018				Total
	Domestic	North America	Mainland China	Other operating department	
Primary geographical markets:					
Europe	\$ 881,884	4,585	-	216	886,685
USA	-	450,788	-	-	450,788
Others	373,743	401,214	-	37	774,994
Total	<u><u>\$ 1,255,627</u></u>	<u><u>856,587</u></u>	<u><u>-</u></u>	<u><u>253</u></u>	<u><u>2,112,467</u></u>
Major products:					
Liquid crystal display modules	\$ 731,502	595,307	-	-	1,326,809
Capacitive touch panel and capacitive touch panel module	494,828	259,721	-	-	754,549
Other	29,297	1,559	-	253	31,109
Total	<u><u>\$ 1,255,627</u></u>	<u><u>856,587</u></u>	<u><u>-</u></u>	<u><u>253</u></u>	<u><u>2,112,467</u></u>

Please refer to note 6(w) for net revenue for the three months and the nine months ended September 30, 2017.

#### (w) Revenue

For the three months and the nine months ended September 30, 2017, the Group's net revenue amounted to \$769,121 and \$2,242,902, respectively. Please refer to note 6(v) for net revenue for the three months and the nine months ended September 30, 2018.

#### (x) 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.

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
Employee compensation	<u><u>\$ 3,332</u></u>	<u><u>2,241</u></u>	<u><u>5,838</u></u>	<u><u>2,388</u></u>
Directors' and supervisors' remuneration	<u><u>\$ 1,818</u></u>	<u><u>1,345</u></u>	<u><u>3,322</u></u>	<u><u>1,433</u></u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The abovementioned compensation of employees and remuneration of Directors' and supervisors' were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of Directors' and supervisors', multiplied by the appropriate percentage in compliance with the Company's article. These expenses were recognized in operating costs and operation expensed for the respective period. In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. If 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 \$3,476 and 11,500 for 2017 and 2016, respectively, and the accrued remuneration of directors' and supervisor's amounted to \$2,086 and \$6,900, respectively. Actual distribution had no difference with accrued amounts. For related information, please go to website: <http://emops.twse.com.tw>.

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

Other operating income and expenses were rental revenue.

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

##### (i) Other income

Details of other income were as follows:

	July to Septembdr, 2018	July to Septembdr, 2017	January to Septembdr, 2018	January to Septembdr, 2017
Interest income				
Bank deposits	\$ 3,501	3,506	12,352	8,961
Other loans and receivables	54	39	141	119
Dividend Revenue	12,236	7,142	12,926	7,726
Others	3,051	2,647	3,459	2,776
	<u>\$ 18,842</u>	<u>13,334</u>	<u>28,878</u>	<u>19,582</u>

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

Details of other gains and losses were as follows:

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
Foreign exchange gains (losses), net	\$ 3,171	(5,704)	32,543	(61,901)
Net gains on disposal of available-for-sale financial assets	-	16,659	-	19,171
Net gains (losses) on valuation of financial assets (liability) at FVTPL	1,286	(95)	(653)	(13,370)
Net gains (losses) on disposal of property, plant and equipmen	(28)	-	2,826	568
Reversal of impairment loss on investment propety	-	-	-	5,664
Others	(2)	(7)	(2)	(3,008)
	<u>\$ 4,427</u>	<u>10,853</u>	<u>34,714</u>	<u>(52,876)</u>



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(iii) Finance costs

Details of finance costs were as follows:

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
Interest expenses				
Bank loans	\$ 2,944	2,892	9,200	7,237
Management fee of syndicated loan	62	125	187	125
	<b>\$ 3,006</b>	<b>3,017</b>	<b>9,387</b>	<b>7,362</b>

**(aa) 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	January to September, 2017
Available-for-sale financial assets		
Net change in fair value occurred in current year	\$ 4,903	42,137
Net change in fair value reclassified to income	(14,463)	(17,191)
Net change in fair value recognized in other comprehensive income	<b>\$ (9,560)</b>	<b>24,946</b>

**(ab) 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 2017 consolidated financial statements.

(i) Credit risk

1. Exposure to credit risk

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

2. Concentration of credit risk

To reduce the credit risk of accounts receivable, the Group continuously evaluates customers' financial condition, and requires customers to provide a guarantee if necessary. The Group periodically measures the possibility of collecting the accounts receivable and also records an allowance for doubtful accounts, which is always under the expectation of the management. The Group has no significant concentration of its accounts receivable as of September 30, 2018, December 31, and September 30, 2017.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

#### 3. Accounts receivable of credit risk

Please refer to Note 6(g) for accounts receivable of credit risk exposure. Please refer to Note 6(e), Note 6(h) and Note 6(j) for the detail and allowance for impairment for December 31, 2017 and September 30, 2017 with other financial assets measured at amortized cost including other accounts receivable, refundable deposits, and certificate deposit recognized as debt instrument without active market on December 31, 2017 and September 30, 2017.

The loss allowance provision and impairment of credit for the abovementioned financial assets measured at 12-months expected credit loss (ECL) or lifetime expected credit loss (ECL) as of September 30, 2018 were as follows:

	<b>Financial assets measured at amortized cost</b>		
	<b>12-month ECL</b>	<b>Lifetime ECL— unimpaired</b>	<b>Lifetime ECL— impaired</b>
Other accounts receivable	\$ 15,851	-	-
Refundable deposits	7,204	-	-
Restricted Certificate Deposit	5,116	-	-
Loss allowance provision	-	-	-
Amortized cost	<b>\$ 28,171</b>	-	-
Carrying amount	<b>\$ 28,171</b>	-	-

The movement in the provision for impairment with respect to the financial assets measured at amortized cost as of September 30, 2018 were as follows:

	<b>12-month ECL</b>	<b>Lifetime ECL— unimpaired</b>	<b>Lifetime ECL— impaired</b>	<b>Total</b>
Balance at January 1, 2018 (IAS 39)	\$ -	-	2,828	2,828
Adjustments on initial application of IFRS 9	-	-	-	-
Balance at at January 1, 2018 (IFRS 9)	-	-	2,828	2,828
Offset uncollected amount	-	-	(2,807)	(2,807)
Effect of changes in foreign currency exchange rates	-	-	(21)	(21)
Ending balance	<b>\$ -</b>	-	-	-

#### (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.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	<u>Carrying 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>
<b>September 30, 2018</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,801	(411,528)	(3,593)	(83,612)	(324,323)	-	-
Unsecured loans (floating rate)	430,000	(430,468)	(430,468)	-	-	-	-
Accounts payable(non-interest bearing)	351,396	(351,396)	(351,396)	-	-	-	-
Notes payable (non-interest bearing)	881	(881)	(881)	-	-	-	-
Other payable (non-interest bearing)	73,427	(73,427)	(73,427)	-	-	-	-
Guarantee deposits received (non-interest bearing )	262	(262)	(228)	(34)	-	-	-
Derivative financial liabilities							
Swap Contract :	297						
Cash in		(60,990)	(60,990)	-	-	-	-
Cash out		61,050	61,050	-	-	-	-
	<u>\$ 1,255,064</u>	<u>(1,267,902)</u>	<u>(859,933)</u>	<u>(83,646)</u>	<u>(324,323)</u>	<u>-</u>	<u>-</u>
<b>December 31, 2017</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,246	(418,411)	(3,550)	(5,393)	(86,617)	(322,851)	-
Unsecured loans (floating rate)	557,000	(557,461)	(557,461)	-	-	-	-
Accounts payable(non-interest bearing)	343,654	(343,654)	(343,654)	-	-	-	-
Notes payable (non-interest bearing)	1,141	(1,141)	(1,141)	-	-	-	-
Other payable (non-interest bearing)	81,396	(81,396)	(81,396)	-	-	-	-
Guarantee deposits received (non-interest bearing )	34	(34)	-	-	(34)	-	-
	<u>\$ 1,381,471</u>	<u>(1,402,097)</u>	<u>(987,202)</u>	<u>(5,393)</u>	<u>(86,651)</u>	<u>(322,851)</u>	<u>-</u>
<b>September 30, 2017</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 498,062	(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>\$ 1,362,756</u>	<u>(1,385,108)</u>	<u>(968,329)</u>	<u>(5,353)</u>	<u>(86,977)</u>	<u>(324,449)</u>	<u>-</u>

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

#### (iii) Market Risk

##### 1. Exchange rate risk

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	2018.9.30			2017.12.31			2017.9.30		
	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	\$ 50,824	30.525	1,551,391	59,972	29.76	1,725,249	53,352	30.26	1,619,878
JPY	33,379	0.2692	8,986	7,511	0.2642	1,984	18,359	0.2691	4,940
CNY	127	4.436	563	47	4.565	214	44	4.551	199
<u>Non-Monetary item</u>									
USD	3,717	30.525	113,458	8,280	29.76	246,400	8,182	30.26	247,581
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
USD	9,965	30.525	304,176	8,852	29.76	263,445	11,065	30.26	334,838
JPY	25,110	0.2692	6,760	28,159	0.2642	7,440	29,671	0.2691	7,985
NTD	14,310	1	14,310	4,752	1	4,752	7,267	1	7,267

The foreign currency risk is mainly incurred from the translation of cash and cash equivalents, accounts receivable, other receivables, financial assets measured at FVTPL (available for sale financial assets), loans, accounts payable, and other payables. As of September 30, 2018 and 2017, the exchange rate of the TWD versus the USD, CNY, and JPY increases or decreases by 1%, given no changes in other factors, loss after tax will increase or decrease by \$10,525 and \$10,530, respectively. The analysis assumes that all other variables remain constant.

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 the nine months ended September 30, 2018 and 2017, the exchange gains or loss (including realized and unrealized) that resulted from monetary items translated to the functional currency was gain \$3,171, loss \$5,704, gain \$32,543 and loss \$61,901, respectively.

#### 2. Interest rate risk

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

The sensitivity analysis of interest is made based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates is 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 use 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, 2018		January to September, 2017	
Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
After-tax profit	After-tax profit	After-tax loss	After-tax loss
\$ 69	69	99	99

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

#### 3. Other price risk

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

Equity price at reporting date	January to September, 2018		January to September, 2017	
	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after tax	Net profit (loss)
Increase 3%	\$ 11,466	3,227	10,941	-
Decrease 3%	\$ 11,466	3,227	(10,941)	-

#### (iv) Fair value

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

The fair value of financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income (available for sale financial assets), are measured on a recurring basis.

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.

	Carrying Amount	2018.9.30			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>					
Derivative financial assets	\$ 106	-	106	-	106
Debt instrument with quoted market prices	130,206	130,206	-	-	130,206
	<u>130,312</u>				
<b>Financial assets at FVOCI</b>					
Equity instrument with quoted market prices	214,586	214,586	-	-	214,586
Equity instrument at fair value without quoted market prices	167,640	-	-	167,640	167,640
	<u>382,226</u>				
<b>Financial assets at amortized cost</b>					
Cash and Cash equivalent	1,029,905	-	-	-	-
Account Receivables	502,940	-	-	-	-
Other Account Receivables	15,851	-	-	-	-
Restricted deposit	5,116	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	7,204	-	-	-	-
	<u>1,561,016</u>				
<b>Total</b>	<u>\$ 2,073,554</u>				

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

	2018.9.30				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at FVTPL</b>					
Swap Contract	297	-	297	-	297
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 828,801	-	-	-	-
Notes payable	881	-	-	-	-
Account payable	351,396	-	-	-	-
Other payable	73,427	-	-	-	-
Guarantee deposits received	262	-	-	-	-
	<u>1,254,767</u>				
<b>Total</b>	<b><u>\$ 1,255,064</u></b>				
	2017.12.31				
	Carrying Amount	Fair value			Total
		Level 2	Level 2	Level 3	
<b>Available-for-sale financial assets</b>					
Stocks listed companies in Taiwan	\$ 153,616	153,616	-	-	153,616
Open-end fund	264,014	264,014	-	-	264,014
Financial assets carried at cost	185,000	-	-	-	-
	<u>602,630</u>				
<b>Loans and receivables</b>					
Cash and Cash equivalent	1,148,720	-	-	-	-
Debt instrument without active market	4,970	-	-	-	-
Account Receivables	490,408	-	-	-	-
Other Account Receivables	16,702	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	8,745	-	-	-	-
	<u>1,669,545</u>				
<b>Total</b>	<b><u>\$ 2,272,175</u></b>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 955,246	-	-	-	-
Notes payable	1,141	-	-	-	-
Account payable	343,653	-	-	-	-
Other payable	81,396	-	-	-	-
Guarantee deposits received	34	-	-	-	-
<b>Total</b>	<b><u>\$ 1,381,470</u></b>				
	2017.9.30				
	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at FVTPL</b>					
Swap Contracts	\$ 790	-	790	-	790
<b>Available-for-sale financial assets</b>					
Stocks listed companies in Taiwan	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>				

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	Carrying Amount	2017.9.30			Total
		Fair value			
		Level 1	Level 2	Level 3	
<b>Loans and receivables</b>					
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	-	-	-	-
	1,569,533				
<b>Total</b>	<b>\$ 2,162,000</b>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	871,062	-	-	-	-
Notes payable	1,270	-	-	-	-
Account payable	409,888	-	-	-	-
Other payable	80,376	-	-	-	-
Guarantee deposits received	160	-	-	-	-
<b>Total</b>	<b>\$ 1,362,756</b>				

2. 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).

3. 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:

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market.

When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

4. 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.

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

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique. Using discounted cash flow method to calculate fair value, the main assumption is to reflect monetary time value and return of invest risk to discount and measure based on investee's estimated future cash flow.

Derivative instruments

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

#### 5. Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the nine months ended September 30, 2018 and 2017.

#### 6. Movement of financial assets at fair value through other comprehensive income categorized within Level 3 for the nine months ended September 30, 2018.

	<b>Financial assets at FVOCI</b>	
	<u>Equity instrument without quoted market prices</u>	
<b>Balance at January 1, 2018</b>	\$	185,000
Adjustments on initial application of IFRS 9		(36,400)
Balance after adjustment at January 1, 2018		148,600
Recognized in other comprehensive income		19,040
<b>Balance at September 30, 2018</b>	<b>\$</b>	<b><u>167,640</u></b>

#### 7. Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through other comprehensive income— equity investments.

The Group's equity investments without active market in Level 3 have more than one significant unobservable inputs. The significant unobservable inputs of equity investments without active market are individually independent, and there is no correlation between them.

The Group's major equity investment without active market—CHENFENG OPTRONICS CORPORATION's quantified information of significant unobservable inputs was as follows :



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant fair value measurement
Fair value through other comprehensive income- equity investments without active market	Discounted cash flow Method	<ul style="list-style-type: none"> <li>• Continuing growth rate 1.7%</li> <li>• Weighted Average Cost of Capital 9.54%</li> <li>• Market illiquidity discount 38.34%</li> <li>• Non-controlling interests discount 29.87%</li> </ul>	<ul style="list-style-type: none"> <li>• If the continuing growth rate were higher, the estimated fair value would increase.</li> <li>• If WACC, Non-controlling interests discount, and illiquidity discount were higher, the estimated fair value would decrease.</li> <li>• If the market illiquidity discount were higher, the estimated fair value would decrease.</li> <li>• If the multiplier and control premium were higher, the estimated fair value would increase.</li> </ul>

8. Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results.

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income :

September 30, 2018	Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
			Favourable	Unfavourable
Financial assets at fair value through other comprehensive income- equity investments without active market	Continuing growth rate 1.7%	0.1%	\$ 1,960	1,890
	Weighted Average Cost of Capital 9.54%	0.5%	11,900	10,640
	Market illiquidity discount 38.34%	1%	2,520	2,590
	Non-controlling interests discount 29.87%	1%	2,240	2,240

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

The favourable and unfavourable effects represented the changes in fair value, and fair value was based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflected the effects of changes in a single input, and it did not include the interrelationships and variances with another input.

#### (ac) Financial risk management

There was no significant change of the Group's financial risk management objectives and policy as disclosed in 2017 consolidated report. Please refer to Note 6(z) of 2017 consolidated financial statements.

#### (ad) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2017 consolidated financial statements. Further, there was no significant change of the summary quantitative information as disclosed in 2017 consolidated financial statements. Please refer to Note 6(aa) of 2017 consolidated financial statements.

#### (ae) Financing activities of non-cash transaction

Reconciliation of liabilities arising from financing activities were as follows :

	January 1, 2018	Cash flows	Non-cash changes		September 30, 2018
			Foreign exchange movement	Amortized	
Short-term loans	\$ 557,000	(127,000)	-	-	430,000
Long-term loans(including current portion)	398,246	-	-	555	398,801
Total liabilities from financing activities	<u>\$ 955,246</u>	<u>(127,000)</u>	<u>-</u>	<u>555</u>	<u>828,801</u>

## 7. Transactions with Related Parties

### Compensation of key management personnel

The information on key management personnel compensation was as follows:

	July to September, 2018	July to September, 2017	January to September, 2018	January to September, 2017
Short-term employee benefits	\$ 6,041	5,921	17,912	15,574
Post-employment benefits	127	118	378	372
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 6,168</u>	<u>6,039</u>	<u>18,290</u>	<u>15,946</u>

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

As of September 30, 2018 and 2017, the Group provided respectively six and four of its own cars with carrying amount of \$15,109 and \$8,812, and as of March 31, 2018, rented another car for their key management personnel to use. The rental car expense amounted to \$0, \$227, \$226, \$679 for the three months and the nine months ended September 30, 2018 and 2017, respectively.

#### 8. Pledged Assets

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

<u>Pledged Assets</u>	<u>Purpose</u>	<u>2018.9.30</u>	<u>2017.12.31</u>	<u>2017.9.30</u>
Other financial assets(Debt investments without active) – time deposits – current	Guarantee for customs	\$ 1,530	1,521	1,514
Other financial assets(Debt investments without active) – time deposits – current	Performance guarantee	3,025	2,902	-
Other financial assets(Debt investments without active) – time deposits – noncurrent	Performance guarantee	562	547	557
Investment property	Guarantee for short-term borrowings	-	-	19,671
Property, plant and equipment – buildings	Guarantee for long-term borrowings	205,304	215,140	218,474
		<u>\$ 210,421</u>	<u>220,110</u>	<u>240,216</u>

#### 9. Commitments and Contingencies

(a) As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$8,811, \$21,797 and \$24,523, respectively.

(b) As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group has signed contracts for the purchase of equipments. The unrecognized contingencies of contracts for the purchase of equipments amounted to \$10,100, \$11,384 and \$7,511, 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:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

	July to September, 2018			July to September, 2017		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses	114,966	56,472	171,438	120,716	54,392	175,108
Depreciation	15,195	1,150	16,345	19,076	1,124	20,200
Amortization	187	376	563	144	131	275

  

	January to September, 2018			January to September, 2017		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses	335,260	164,498	499,758	329,728	151,843	481,571
Depreciation	44,690	3,338	48,028	65,527	3,584	69,111
Amortization	600	790	1,390	471	385	856

(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, 2018 were as follows:

(i) Loans extended to other parties:

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of Financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount	Remarks
					(Note1)	(Note 1)	(Note 1)						Item	Value			
0	The Company	Emerging Display Technologies Corp., U.S.A.	Other receivable-related parties	Yes	44,261 (USD 1,450,000)	44,261 (USD 1,450,000)	44,261 (USD 1,450,000)	4.67%	The need for short-term financing	-	Working capital	-	-	-	174,755 (Note 2)	699,019 (Note 2)	Note3

Note1: It used the rate of exchange at September 30, 2018.

Note2: Limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of the period. Limit of total financing amount shall not exceed 40% of the Company's net asset value.

Note 3: It was eliminated in the consolidation.

(ii) Guarantees provided to other parties: None.

(iii) Securities owned as of September 30, 2018 (subsidiaries, associates and joint ventures not included):

# EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

## Notes to consolidated financial statements

Name of security holder	Name of security and type	Relationship between the Investee and the company	Financial statement account	September 30, 2018				Remark
				Units(shares)	Carrying Value	Ratio	Market value	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets at FVOCI – noncurrent	1,200,000	10,000	5.00%	10,000	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI – noncurrent	1,000,000	22,520	2.17%	22,520	-
The Company	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVOCI – noncurrent	13,845	845	-	845	-
The Company	Innolux Corp. stock	-	Financial assets at FVOCI – current	1,147,089	12,159	0.01%	12,159	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Financial assets at FVOCI – current	300,000	15,540	-	15,540	-
The Company	E.SUN Financial Holding Co., Ltd. stock	-	Financial assets at FVOCI – current	1,485,766	33,504	0.01%	33,504	-
The Company	Radiant Opto Electronics Corp. stock	-	Financial assets at FVOCI – current	250,000	17,250	0.05%	17,250	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Financial assets at FVOCI – current	330,000	13,563	0.01%	13,563	-
The Company	Synnex Technology International Co., Ltd. stock	-	Financial assets at FVOCI – current	458,000	17,839	0.03%	17,839	-
The Company	King Yuan Electronics Co., Ltd. stock	-	Financial assets at FVOCI – current	1,069,000	21,807	0.09%	21,807	-
The Company	Nan Ya Plastics Corporation stock	-	Financial assets at FVOCI – current	210,000	17,808	-	17,808	-
The Company	Pegatron Co., Ltd. stock	-	Financial assets at FVOCI – current	216,000	13,198	0.01%	13,198	-
The Company	Mega Financial Holding Co., Ltd stock	-	Financial assets at FVOCI – current	555,000	15,263	-	15,263	-
The Company	Coasia Microelectronics Corp. stock	-	Financial assets at FVOCI – current	441,508	5,431	0.32%	5,431	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	480,000	10,080	0.78%	10,080	-
The Company	Yuanta Asia Pacific ex Jpn Invt Grd Govt Bd Idx (A)	-	Financial assets at FVTPL – current	2,000,000.00	16,854	-	16,854	-
The Company	Edmond de Rothschild Fund – Europe Convertibles(A)-USD	-	Financial assets at FVTPL – current	8,468.18	25,746	-	25,746	-
The Company	JPMorgan Funds – Asia Pacific Income Fund - JPM Asia Pacific Income A (acc) - USD	-	Financial assets at FVTPL – current	86,206.90	57,392	-	57,392	-
The Company	BlackRock Global Fund - Emerging Markets Bond Fund A2 USD	-	Financial assets at FVTPL – current	56,561.09	30,214	-	30,214	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	550,000	11,550	0.90%	11,550	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Financial assets at FVOCI – current	101,500	769	0.02%	769	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	5,346,672	50,580	2.98%	50,580	(Note)
Bae Haw Investment Development Corp	Everest Technology Inc.	-	Financial assets at FVOCI – noncurrent	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	380,000	7,980	0.62%	7,980	-
Bae Haw Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	3,447,716	32,615	1.92%	32,615	(Note)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI – noncurrent	6,000,000	135,120	13.03%	135,120	-

Note: It was eliminated in the consolidation.

- (iv) Accumulated trading amount of a single security in excess of \$300 million or 20% of the Company's issued share capital: None.
- (v) Acquisition of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None.
- (vi) Disposal of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(vii) Sales to and purchases from related parties in excess of \$100 million or 20% of issued share capital was as follows:

Purchasing (selling) company	Counter party	Relation-ship	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 Corp., U.S.A.	Subsidiary of the Company	Sale	754,344	37.58%	3 months	Sales prices offered to Emerging Display Technologies Corp., 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.	284,812	49.29%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	208,914	18.96%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to	(106,364)	26.69%	(Note)
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	754,344	100.00%	3 months	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	(284,812)	100.00%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	208,914	100.00%	1-3 months	The Group is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	106,364	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	207,495	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(66,799)	70.72%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	207,495	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to	66,799	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:

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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 Corp., U.S.A.	Subsidiary of the Company	Account Receivables of 284,812	3.16	-	-	90,667	-	(Note)
			Other receivable of 44,261	-	-	-	-	(Note)	
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Account Receivables of 106,364	2.74	-	-	24,795	-	(Note)

Note: It was eliminated in the consolidation.

(ix) Derivative financial instrument transactions:

Please refer to Note 6(b).

(x) Significant inter-company transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			% of total consolidated revenue or total asset
				Subject	Amount	Term of trading	
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Sales revenue Accounts receivable	754,344 284,812	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.	35.71% 8.57%
0	The Company	Tremendous Explore Corp.	1	Processing cost Accounts payable	208,914 106,364	No non-related-party transaction to compare to	9.89% 3.20%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Selling expenses -Commission Other payable	487 265	No non-related-party transaction to compare to	0.02% 0.01%
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission Other payable	37,006 2,747	No non-related-party transaction to compare to	1.75% 0.08%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses -Commission	3,150	No non-related-party transaction to compare to	0.15%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission	10,289	No non-related-party transaction to compare to	0.49%

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Interest revenue Other receivable	1,055 44,261	Adjust by floating interest rate of Bank of America	- 1.33%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing cost Accounts payable	207,495 66,799	No non-related-party transaction to compare to	9.82% 2.01%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	100,674	No non-related-party transaction to compare to	4.77%

Note: Relationship notes as follows:

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

(b) Information on investees

Relevant information about investees for the six months ended September 30, 2018 was 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, 2018			Net income (loss) of the investee	Investment income (loss) recognized	Remark
				2018.9.30	2017.12.31	Shares	Ratio	Carrying value			
The Company	Emerging Display Technologies Corp., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	74,690 (Note 1)	2,002	1,957	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	89,446	2,847	2,235	Subsidiary (Note 2)
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	5,718	4,096	4,096	Subsidiary (Note 2)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(8,951)	(1,568)	(1,568)	Subsidiary (Note 2)
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,228	69	69	Subsidiary (Note 2)
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	3,711	858	858	Subsidiary (Note 2)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	21,047	3,683	3,683	Subsidiary (Note 2)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	33,188	2,663	2,663	Subsidiary (Note 2)
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	76,318	(15)	(8)	Subsidiary (Note 2)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,724	2,847	168	Subsidiary (Note 2)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,003	2,847	325	Subsidiary (Note 2)

Note 1: It was deducted unrealized profit from sales \$7,181.

Note 2: It was eliminated in the consolidation.

(c) Information on investments in Mainland China:

- (1) Related information regarding investments in Mainland China



## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

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

Investee Group	Main business and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2018	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of June 30, 2018	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, 2018	Investment income repatriated to Taiwan as of September 30, 2018
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (US\$ 7,625,300)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$ 6,746,936) (Note 1)	-	-	219,225 (US\$ 6,746,936)	1	95.80% (Note 2)	Gain \$2,832 Based on the investee's financial statements not reviewed by the auditor (Note 3)	100,282 (Note 4)	-

#### (2) Limitation on investment in Mainland China

Accumulated investment amount remitted from Taiwan to Mainland China as of September 30, 2018	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
211,681 (Note 8) (US\$6,934,668)(Note 5)	425,877 (Note 8) (US\$13,951,732)(Note 6)	1,130,987 (Note 7)

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

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

Note 3: The amount includes a gain of \$174 which was recognized by Ying Dar Investment Development Corp. and a gain of \$337 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$6,176 which was invested by Ying Dar Investment Development Corp. and \$11,944 which was invested by Bae Haw Investment Development Corp.

Note 5: The amount includes the remaining capital amounting to US\$187,732 of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. didn't remit back after it had completed liquidation in 2009 due to net loss.

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 US\$187,732 of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. didn't remit back after it had completed liquidation in 2009 due to net loss.

Note 7: The amount includes \$42,976 for Ying Dar Investment Development Corp. and \$39,482 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at September 30, 2018.

## EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

### Notes to consolidated financial statements

(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, 2018.

#### 14. Segment Information

Reportable segment information was as follows:

	July to September, 2018					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue:						
Sales to customers other than consolidated entities	\$ 418,247	329,015	-	297	-	747,559
Sales among consolidated entities	268,552	158	81,651	15,768	(366,129)	-
<b>Total revenue</b>	<b>\$ 686,799</b>	<b>329,173</b>	<b>81,651</b>	<b>16,065</b>	<b>(366,129)</b>	<b>747,559</b>
<b>Segment Income</b>	<b>\$ 45,410</b>	<b>4,076</b>	<b>9,153</b>	<b>2,203</b>	<b>2,621</b>	<b>63,463</b>
	July to September, 2017					
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 449,817	319,460	-	(156)	-	769,121
Sales among consolidated entities	306,583	256	92,199	15,038	(414,076)	-
<b>Total revenue</b>	<b>\$ 756,400</b>	<b>319,716</b>	<b>92,199</b>	<b>14,882</b>	<b>(414,076)</b>	<b>769,121</b>
<b>Segment Income</b>	<b>\$ 34,157</b>	<b>2,438</b>	<b>(3,105)</b>	<b>(32)</b>	<b>9,506</b>	<b>42,964</b>
	January to September, 2018					
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 1,252,698	859,156	-	613	-	2,112,467
Sales among consolidated entities	754,344	487	208,914	50,445	(1,014,190)	-
<b>Total revenue</b>	<b>\$ 2,007,042</b>	<b>859,643</b>	<b>208,914</b>	<b>51,058</b>	<b>(1,014,190)</b>	<b>2,112,467</b>
<b>Segment Income</b>	<b>\$ 94,503</b>	<b>2,520</b>	<b>3,057</b>	<b>5,030</b>	<b>5,113</b>	<b>110,223</b>

## 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	<u>865,628</u>	<u>894</u>	<u>260,140</u>	<u>47,905</u>	<u>(1,174,567)</u>	<u>-</u>
<b>Total revenue</b>	<b><u>\$ 2,192,303</u></b>	<b><u>916,857</u></b>	<b><u>260,140</u></b>	<b><u>48,169</u></b>	<b><u>(1,174,567)</u></b>	<b><u>2,242,902</u></b>
<b>Segment Income</b>	<b><u>\$ 44,881</u></b>	<b><u>(4,365)</u></b>	<b><u>(2,931)</u></b>	<b><u>(382)</u></b>	<b><u>8,711</u></b>	<b><u>45,914</u></b>
	Domestic	North America	Mainland China	Other operating Department	Adjustment s and Eliminations	Total
<b>Segment Assets</b>						
September 30, 2018	<b><u>\$ 3,163,684</u></b>	<b><u>419,116</u></b>	<b><u>195,587</u></b>	<b><u>19,691</u></b>	<b><u>(473,691)</u></b>	<b><u>3,324,387</u></b>
December 31, 2017	<b><u>\$ 3,379,433</u></b>	<b><u>438,078</u></b>	<b><u>137,507</u></b>	<b><u>15,588</u></b>	<b><u>(435,483)</u></b>	<b><u>3,535,123</u></b>
September 30, 2017	<b><u>\$ 3,378,105</u></b>	<b><u>395,244</u></b>	<b><u>232,889</u></b>	<b><u>17,124</u></b>	<b><u>(552,731)</u></b>	<b><u>3,470,631</u></b>
<b>Segment Liabilities</b>						
September 30, 2018	<b><u>\$ 1,523,376</u></b>	<b><u>337,384</u></b>	<b><u>119,825</u></b>	<b><u>9,035</u></b>	<b><u>(486,617)</u></b>	<b><u>1,503,003</u></b>
December 31, 2017	<b><u>\$ 1,643,070</u></b>	<b><u>360,385</u></b>	<b><u>71,544</u></b>	<b><u>9,868</u></b>	<b><u>(467,306)</u></b>	<b><u>1,617,561</u></b>
September 30, 2017	<b><u>\$ 1,596,245</u></b>	<b><u>320,880</u></b>	<b><u>131,894</u></b>	<b><u>8,466</u></b>	<b><u>(478,777)</u></b>	<b><u>1,578,708</u></b>

The following is the explanation of material reconciliation item:

1. For the three and the nine months ended September 30, 2018 and 2017, the operating segments revenue eliminated from the consolidated entities were \$366,129, \$414,076, \$1,014,190 and \$1,174,567, respectively.
2. For the three months and the nine months ended September 30, 2018 and 2017, the operating segments profit and loss eliminated from the consolidated entities were profit \$2,621, profit \$9,506, profit \$5,113 and profit \$8,711, respectively.
3. As of September 30, 2018, December 31, 2017 and September 30, 2017, the operating segments assets eliminated from the consolidated entities were \$473,691, \$435,483 and \$552,731, respectively.
4. As of September 30, 2018, December 31, 2017 and September 30, 2017, the operating segments liabilities eliminated from the consolidated entities were \$486,617, \$467,306 and \$478,777, respectively.