

Stock Code:3038

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2019 and 2018**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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## **Independent Auditors' Report**

To the Board of Directors of Emerging Display Technologies Corp.:

### **Opinion**

We have audited the financial statements of Emerging Display Technologies Corp. ( "the Company" ), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

#### **1. Valuation of inventory**

Please refer to Note 4(g) Inventories and Note 5 of the financial statements for inventories and accounting estimate of inventory valuation, respectively. Information regarding the inventory is shown in Note 6(f) of the financial statements.

Description of key audit matters:

Inventory is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company is engaged in the manufacture and sale of liquid crystal displays and capacity touch panels. The Company focuses on the small and medium sized niche markets of non-consumable area. The products are used in industrial equipment, smart home devices, handheld devices, and information appliance products. The development strategy of the Company is focused on diversified and customized products which may result to have an impact on its inventory cost. As a consequence, there is a risk that the net realizable value of inventory may turn out to be lower than its carrying value. Therefore, the valuation of inventory is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included selecting samples to test the accuracy of inventory aging report; analyzing the changes of inventory aging; assessing the reasonableness of the accounting policy (such as the provision of inventory valuation and obsolescence), and assessing the reasonableness of the provision of inventory by reviewing the historical accuracy on provision. Moreover, assessing the changes of obsolescence inventory in the subsequent events, and the basis of net realizable value to evaluate the accuracy of the Company's provisions. In addition, we also assessed the appropriateness of the provisions and disclosures made by the management.

## 2. Accounts receivables

Please refer to Note 4(f) of the financial statement for accounts receivable valuation, respectively. Information regarding the inventory is shown in Note 6 (d) of the financial statement.

Description of key audit matters:

The Company's customers are the manufacturers of industrial equipment, smart home devices, handheld devices, and information appliance product. The cause of some customers' delayed payment was due to the need to clarify the responsibility of problematic products that resulted from the failure of process or usage of the end product. Because of the inherent credit risk of receivables, financial statements users value collection results. Also, the amount of accounts receivable is significant to financial statements. Therefore, accounts receivables are one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the process of account checking and collection with customers; analyzing the receivable aging report; reviewing the historical receipt and bad debt records, industrial economy, and concentration of credit risk of the customers; evaluating the reasonableness of expected credit loss policy, and evaluating the appropriateness of related disclosures.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Unless the management either intends to liquidate the Company or to cease its operations, there is no realistic alternative but to do so.

Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements. Or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Po Jen, Yang and Yen Ta, Su.

KPMG

Taipei, Taiwan (Republic of China)  
March 10, 2020

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
EMERGING DISPLAY TECHNOLOGIES CORP.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| Assets                 |  | December 31, 2019   |            | December 31, 2018 |            | Liabilities and Equity      |  | December 31, 2019   |            | December 31, 2018 |            |
|------------------------|--|---------------------|------------|-------------------|------------|-----------------------------|--|---------------------|------------|-------------------|------------|
|                        |  | Amount              | %          | Amount            | %          |                             |  | Amount              | %          | Amount            | %          |
| <b>Current assets:</b> |  |                     |            |                   |            | <b>Current liabilities:</b> |  |                     |            |                   |            |
| 1100                   | Cash and cash equivalents (note 6(a))  | \$ 1,298,535        | 36         | 968,003           | 29         | 2100                        | Short-term borrowings (notes 6(m))   | \$ 400,000          | 11         | 370,000           | 11         |
| 1110                   | Financial assets at fair value through profit or loss, current (note 6(b))                 | 54,094              | 2          | 126,459           | 4          | 2120                        | Financial liabilities at fair value through profit or loss, current (notes 6(b)) | 994                 | -          | -                 | -          |
| 1120                   | Financial assets at fair value through other comprehensive income, current (note 6(c))     | 87,024              | 2          | 184,704           | 5          | 2150                        | Notes payable  | 307                 | -          | 720               | -          |
| 1170                   | Accounts receivable, net (notes 6(d),(u))  | 321,107             | 9          | 207,313           | 6          | 2170                        | Accounts payable   | 385,101             | 11         | 402,381           | 12         |
| 1180                   | Accounts receivable - related parties, net (note 6(d),(u) and 7)                           | 289,755             | 8          | 336,872           | 10         | 2180                        | Accounts payable - related parties (note 7)                                      | 96,640              | 3          | 105,463           | 3          |
| 1200                   | Other receivables (note 6(e),(y))  | 18,066              | -          | 15,826            | 2          | 2200                        | Other payables   | 253,878             | 7          | 209,312           | 6          |
| 1210                   | Other receivables - related parties (note 6(e),(y) and 7)                                  | 20,986              | 1          | 44,537            | -          | 2220                        | Other payables - related parties (note 7)  | 7,471               | -          | 3,735             | -          |
| 130X                   | Inventories (note 6(f))  | 712,294             | 20         | 725,926           | 22         | 2230                        | Income tax liabilities   | 55,631              | 2          | 12,934            | -          |
| 1470                   | Other current assets (note 6(f),(y) and 8)   | 50,834              | 1          | 41,973            | 1          | 2280                        | Lease liabilities, current (notes 6(o))  | 1,928               | -          | -                 | -          |
|                        | <b>Total current assets</b>  | <b>2,852,695</b>    | <b>79</b>  | <b>2,651,613</b>  | <b>79</b>  | 2322                        | Long-term borrowings, current portion (notes 6(n) and 8)                         | 319,555             | 9          | -                 | -          |
|                        |  |                     |            |                   |            | 2300                        | Other current liabilities (notes 6(u))   | 22,299              | 1          | 12,629            | -          |
|                        | <b>Non-current assets:</b>   |                     |            |                   |            |                             | <b>Total current liabilities</b>   | <b>1,543,804</b>    | <b>44</b>  | <b>1,117,174</b>  | <b>32</b>  |
| 1517                   | Financial assets at fair value through other comprehensive income, non-current (note 6(c)) | 34,442              | 1          | 32,286            | 1          | 2540                        | Long-term borrowings (notes 6(n) and 8)  | -                   | -          | 398,888           | 12         |
| 1550                   | Investments accounted for using equity method (notes 6(h))                                 | 288,846             | 8          | 287,165           | 9          | 2570                        | Deferred income tax liabilities (note 6(r))                                      | -                   | -          | 932               | -          |
| 1600                   | Property, plant and equipment (note 6(j),and 8)  | 309,051             | 9          | 340,513           | 10         | 2580                        | Lease liabilities, non-current (note 6(o))                                       | 63,432              | 2          | -                 | -          |
| 1755                   | Right-of-use assets (note 6(k))  | 64,469              | 2          | -                 | -          | 2640                        | Net defined benefit liability, non-current (note 6(q))                           | 88,546              | 2          | 88,226            | 3          |
| 1780                   | Intangible assets (note 6(i))  | 3,760               | -          | 2,448             | -          | 2645                        | Guarantee deposits received  | 34                  | -          | 34                | -          |
| 1840                   | Deferred income tax assets (note 6(r))   | 32,729              | 1          | 27,893            | 1          | 2670                        | Other non-current liabilities  | 936                 | -          | -                 | -          |
| 1980                   | Other non-current financial assets (note 6(g),(y))   | 2,866               | -          | 5,566             | -          |                             | <b>Total non-current liabilities</b>   | <b>152,948</b>      | <b>4</b>   | <b>488,080</b>    | <b>15</b>  |
|                        | <b>Total non-current assets</b>  | <b>736,163</b>      | <b>21</b>  | <b>695,871</b>    | <b>21</b>  |                             | <b>Total liabilities</b>   | <b>1,696,752</b>    | <b>48</b>  | <b>1,605,254</b>  | <b>47</b>  |
|                        |  |                     |            |                   |            |                             | <b>Equity attributable to owners of parent (note 6(s)):</b>                      |                     |            |                   |            |
|                        |  |                     |            |                   |            | 3100                        | Ordinary shares  | 1,624,076           | 45         | 1,744,076         | 52         |
|                        |  |                     |            |                   |            | 3200                        | Capital surplus  | 4,397               | -          | 28,226            | 1          |
|                        |  |                     |            |                   |            | 3300                        | Retained earnings  | 539,266             | 15         | 355,707           | 11         |
|                        |  |                     |            |                   |            | 3400                        | Other equity interest  | (102,612)           | (3)        | (112,570)         | (3)        |
|                        |  |                     |            |                   |            | 3500                        | Treasury shares  | (173,021)           | (5)        | (273,209)         | (8)        |
|                        |  |                     |            |                   |            |                             | <b>Total equity</b>  | <b>1,892,106</b>    | <b>52</b>  | <b>1,742,230</b>  | <b>53</b>  |
|                        | <b>Total assets</b>  | <b>\$ 3,588,858</b> | <b>100</b> | <b>3,347,484</b>  | <b>100</b> |                             | <b>Total liabilities and equity</b>  | <b>\$ 3,588,858</b> | <b>100</b> | <b>3,347,484</b>  | <b>100</b> |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

|   | 2019         |     | 2018      |     |
|---|--------------|-----|-----------|-----|
|   | Amount       | %   | Amount    | %   |
| 4000 <b>Operating revenue (notes 6(u) and 7)</b>  | \$ 3,991,472 | 100 | 2,708,895 | 100 |
| 5000 <b>Operating costs (notes 6(f), (l), (q), (v), 7 and 12 )</b>  | 3,312,715    | 83  | 2,346,998 | 87  |
| <b>Gross profit</b>   | 678,757      | 17  | 361,897   | 13  |
| 5910 Less: Unrealized profit (loss) from sales (note 7)   | 13,567       | -   | 9,687     | -   |
| 5920 Add: Realized profit (loss) on from sales (note 7)   | 9,687        | -   | 12,338    | -   |
| <b>Gross profit</b>   | 674,877      | 17  | 364,548   | 13  |
| <b>Operating expenses (notes 6(d), (l), (q), (v), 7 and 12):</b>  |              |     |           |     |
| 6100 Selling expenses   | 173,432      | 4   | 123,801   | 4   |
| 6200 Administrative expenses  | 90,719       | 2   | 86,103    | 3   |
| 6300 Research and development expenses  | 112,856      | 3   | 103,245   | 4   |
| 6450 Expected credit impairment loss  | (923)        | -   | 661       | -   |
| <b>Net operating income</b>   | 376,084      | 9   | 313,810   | 12  |
| 6500 <b>Net other income (expenses) (note 6(w))</b>   | -            | -   | 194       | -   |
| <b>Net operating income</b>   | 298,793      | 8   | 50,932    | 2   |
| <b>Non-operating income and expenses (note 6(x) and 7):</b>   |              |     |           |     |
| 7010 Other income   | 31,252       | 1   | 33,604    | 1   |
| 7020 Other gains and losses   | (30,175)     | (1) | 40,115    | 1   |
| 7050 Finance costs  | (13,235)     | -   | (12,259)  | -   |
| 7070 Share of profit (loss) of associates and joint ventures accounted for using equity method  | 14,417       | -   | 10,966    | -   |
| <b>Total non-operating income and expenses</b>  | 2,259        | -   | 72,426    | 3   |
| 7900 <b>Profit (loss) from continuing operations before tax</b>   | 301,052      | 8   | 123,358   | 3   |
| 7950 Less: Income tax expenses (note 6(r))  | 43,727       | 2   | 11,432    | -   |
| <b>Profit (loss)</b>  | 257,325      | 6   | 111,926   | 3   |
| 8300 <b>Other comprehensive income:</b>   |              |     |           |     |
| 8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>  |              |     |           |     |
| 8311 Gains (losses) on remeasurements of defined benefit plans (note 6(q))  | (2,876)      | -   | (7,672)   | -   |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(s))   | 30,292       | 1   | (15,204)  | (1) |
| 8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (note 6(s)) | (3,980)      | -   | (7,214)   | -   |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(r))   | -            | -   | -         | -   |
|   | 23,436       | 1   | (30,090)  | (1) |
| 8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>   |              |     |           |     |
| 8361 Exchange differences on translation of foreign financial statements (note 6(s))  | (5,166)      | -   | 858       | -   |
| 8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(s))     | (674)        | -   | (420)     | -   |
| 8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(r))   | -            | -   | -         | -   |
| Components of other comprehensive income that will be reclassified to profit or loss  | (5,840)      | -   | 438       | -   |
| 8300 <b>Other comprehensive income</b>  | 17,596       | 1   | (29,652)  | (1) |
| 8500 <b>Comprehensive income</b>  | \$ 274,921   | 7   | 82,274    | 2   |
| <b>Earnings per share (New Taiwan Dollars) (note 6(t)):</b>   |              |     |           |     |
| 9750 <b>Basic net income per share (New Taiwan Dollars)</b>   | \$ 1.73      |     | 0.71      |     |
| 9850 <b>Diluted net income per share (New Taiwan Dollars)</b>   | \$ 1.72      |     | 0.71      |     |

See accompanying notes to financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP.**

**Statements of Changes in Equity**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

|   | Retained earnings   |                 |               |                 |                                  | Total other equity interest   |   |  |                  |                  |
|---|---------------------|-----------------|---------------|-----------------|----------------------------------|---|---|--|------------------|------------------|
|   | Ordinary shares     | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Treasury shares  | Total equity     |
| <b>Balance on January 1, 2018</b>   | <b>\$ 1,834,076</b> | <b>23,873</b>   | <b>40,391</b> | <b>123,710</b>  | <b>161,563</b>                   | <b>(8,709)</b>  | <b>-</b>  | <b>(66,163)</b>  | <b>(273,209)</b> | <b>1,835,532</b> |
| Effects of retrospective application  | -                   | -               | -             | -               | (8,314)                          | -   | (79,429)  | 66,163   | -                | (21,580)         |
| Balance on 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        |
| Profit  | -                   | -               | -             | -               | 111,926                          | -   | -   | -  | -                | 111,926          |
| Other comprehensive income  | -                   | -               | -             | -               | (7,672)                          | 438   | (22,418)  | -  | -                | (29,652)         |
| Total comprehensive income  | -                   | -               | -             | -               | 104,254                          | 438   | (22,418)  | -  | -                | 82,274           |
| Appropriation and distribution of retained earnings:  |                     |                 |               |                 |                                  |   |   |  |                  |                  |
| Legal reserve   | -                   | -               | 5,431         | -               | (5,431)                          | -   | -   | -  | -                | -                |
| Cash dividends of ordinary share  | -                   | -               | -             | -               | (68,349)                         | -   | -   | -  | -                | (68,349)         |
| Reversal of special reserve   | -                   | -               | -             | (14,498)        | 14,498                           | -   | -   | -  | -                | -                |
| Purchase of treasury share  | -                   | -               | -             | -               | -                                | -   | -   | -  | (89,237)         | (89,237)         |
| Retirement of treasury share  | (90,000)            | 763             | -             | -               | -                                | -   | -   | -  | 89,237           | -                |
| Cash dividends to subsidiaries  | -                   | 3,590           | -             | -               | -                                | -   | -   | -  | -                | 3,590            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                   | -               | -             | -               | 2,452                            | -   | (2,452)   | -  | -                | -                |
| <b>Balance on December 31, 2018</b>   | <b>1,744,076</b>    | <b>28,226</b>   | <b>45,822</b> | <b>109,212</b>  | <b>200,673</b>                   | <b>(8,271)</b>  | <b>(104,299)</b>  | <b>-</b>   | <b>(273,209)</b> | <b>1,742,230</b> |
| Profit  | -                   | -               | -             | -               | 257,325                          | -   | -   | -  | -                | 257,325          |
| Other comprehensive income  | -                   | -               | -             | -               | (2,876)                          | (5,840)   | 26,312  | -  | -                | 17,596           |
| Total comprehensive income  | -                   | -               | -             | -               | 254,449                          | (5,840)   | 26,312  | -  | -                | 274,921          |
| Appropriation and distribution of retained earnings:  |                     |                 |               |                 |                                  |   |   |  |                  |                  |
| Legal reserve   | -                   | -               | 11,193        | -               | (11,193)                         | -   | -   | -  | -                | -                |
| Cash dividends of ordinary share  | -                   | -               | -             | -               | (78,704)                         | -   | -   | -  | -                | (78,704)         |
| Special reserve   | -                   | -               | -             | 42,095          | (42,095)                         | -   | -   | -  | -                | -                |
| Purchase of treasury share  | -                   | -               | -             | -               | -                                | -   | -   | -  | (50,738)         | (50,738)         |
| Retirement of treasury share  | (120,000)           | (28,226)        | -             | -               | (2,700)                          | -   | -   | -  | 150,926          | -                |
| Cash dividends to subsidiaries  | -                   | 4,397           | -             | -               | -                                | -   | -   | -  | -                | 4,397            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                   | -               | -             | -               | 10,514                           | -   | (10,514)  | -  | -                | -                |
| <b>Balance on December 31, 2019</b>   | <b>\$ 1,624,076</b> | <b>4,397</b>    | <b>57,015</b> | <b>151,307</b>  | <b>330,944</b>                   | <b>(14,111)</b>   | <b>(88,501)</b>   | <b>-</b>   | <b>(173,021)</b> | <b>1,892,106</b> |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP.**

**Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

|   | 2019                | 2018             |
|---|---------------------|------------------|
| <b>Cash flows from (used in) operating activities:</b>  |                     |                  |
| Profit before tax   | \$ 301,052          | 123,358          |
| Adjustments:  |                     |                  |
| Adjustments to reconcile profit (loss):   |                     |                  |
| Depreciation expense  | 68,672              | 62,896           |
| Amortization expense  | 1,020               | 3,054            |
| Expected credit impairment (gain) loss  | (923)               | 661              |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss                 | (4,809)             | 7,139            |
| Interest expense  | 13,235              | 12,259           |
| Interest income   | (21,487)            | (18,504)         |
| Dividend income   | (7,600)             | (11,066)         |
| Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method | (14,417)            | (10,966)         |
| Gain on disposal of property, plant and equipment   | (367)               | (1,347)          |
| Unrealized profit from sales  | 13,567              | 9,687            |
| Realized profit on from sales   | (9,687)             | (12,338)         |
| Unrealized foreign exchange loss (gain)   | 30,378              | (4,278)          |
| <b>Total adjustments to reconcile profit</b>  | <b>67,582</b>       | <b>37,197</b>    |
| <b>Changes in operating assets and liabilities:</b>   |                     |                  |
| <b>Changes in operating assets:</b>   |                     |                  |
| Decrease (increase) in accounts receivable  | (118,554)           | 28,462           |
| Decrease in accounts receivable — related parties   | 42,015              | 14,326           |
| Decrease in other receivable  | 5,581               | 780              |
| Decrease (increase) in inventories  | 13,632              | (74,346)         |
| Increase in other current assets  | (9,105)             | (29,191)         |
| <b>Total changes in operating assets</b>  | <b>(66,431)</b>     | <b>(59,969)</b>  |
| <b>Changes in operating liabilities:</b>  |                     |                  |
| Decrease in notes payable   | (413)               | (421)            |
| Increase (decrease) in accounts payable   | (10,597)            | 116,571          |
| Increase (decrease) in accounts payable — related parties   | (7,793)             | 8,852            |
| Increase in other payable   | 41,576              | 39,172           |
| Increase (decrease) in other payable — related parties  | 3,962               | (739)            |
| Increase (decrease) in other current liabilities  | 9,670               | (5,318)          |
| Decrease in net defined benefit liability   | (2,556)             | (2,444)          |
| Increase in other non-current liabilities   | 936                 | -                |
| <b>Total changes in operating liabilities</b>   | <b>34,785</b>       | <b>155,673</b>   |
| <b>Total changes in operating assets and liabilities</b>  | <b>(31,646)</b>     | <b>95,704</b>    |
| <b>Total adjustments</b>  | <b>35,936</b>       | <b>132,901</b>   |
| Cash inflow generated from operations   | 336,988             | 256,259          |
| Interest received   | 20,884              | 18,587           |
| Dividends received  | 7,600               | 11,066           |
| Interest paid   | (12,355)            | (11,450)         |
| Income taxes paid   | (6,797)             | (10,753)         |
| <b>Net cash flows from operating activities</b>   | <b>346,320</b>      | <b>263,709</b>   |
| <b>Cash flows from (used in) investing activities:</b>  |                     |                  |
| Acquisition of financial assets at fair value through other comprehensive income                        | -                   | (98,356)         |
| Proceeds from disposal of financial assets at fair value through other comprehensive income             | 121,297             | 22,405           |
| Acquisition of financial assets at fair value through profit or loss                                    | (95,030)            | (58,780)         |
| Proceeds from disposal of financial assets at fair value through profit or loss                         | 173,198             | 189,195          |
| Acquisition of property, plant and equipment  | (31,111)            | (69,311)         |
| Proceeds from disposal of property, plant and equipment   | 367                 | 1,347            |
| Prepayment for investments  | -                   | (2,700)          |
| Increase in other receivables-related parties   | (44,603)            | (43,094)         |
| Decrease in other receivables-related parties   | 67,608              | -                |
| Acquisition of intangible assets  | (2,332)             | (2,077)          |
| Decrease (increase) in other financial assets   | (7)                 | 4,057            |
| Dividends received  | 3,434               | 4,981            |
| <b>Net cash flows used in investing activities</b>  | <b>192,821</b>      | <b>(52,333)</b>  |
| <b>Cash flows from (used in) financing activities:</b>  |                     |                  |
| Decrease (increase) in short-term borrowings  | 30,000              | (187,000)        |
| Repayments of long-term borrowings  | (80,000)            | -                |
| Cash dividends paid   | (78,704)            | (68,349)         |
| Payments to acquire treasury shares   | (50,738)            | (89,237)         |
| Repayments of lease liabilities   | (1,866)             | -                |
| <b>Net cash flows used in financing activities</b>  | <b>(181,308)</b>    | <b>(344,586)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                     | <b>(27,301)</b>     | <b>2,599</b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>330,532</b>      | <b>(130,611)</b> |
| <b>Cash and cash equivalents at beginning of period</b>   | <b>968,003</b>      | <b>1,098,614</b> |
| <b>Cash and cash equivalents at end of period</b>   | <b>\$ 1,298,535</b> | <b>968,003</b>   |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP.**

**Notes to the Parent-Company-Only Financial Statements**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Emerging Display Technologies Corp. (the “Company” ) was incorporated as a limited liability company under the laws of the Republic of China (ROC) on September 23, 1994. The address of its registered office and principal place of business is No. 5, Central 1st Rd, Kaohsiung Economic Processing Zone, Kaohsiung City, Taiwan. The Company is engaged in the manufacture and sale of Capacity Touch Panels and liquid crystal displays (LCDs).

**(2) Approval date and procedures of the financial statements**

These financial statements were authorized for issuance by the Board of Directors on March 10, 2020.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. ( “FSC” ) which have already been adopted.

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.

| <b>New, Revised or Amended Standards and Interpretations</b>                | <b>Effective date per IASB</b> |
|---|--------------------------------|
| IFRS 16 “Leases”  | January 1, 2019                |
| IFRIC 23 “Uncertainty over Income Tax Treatments”                           | January 1, 2019                |
| Amendments to IFRS 9 “Prepayment features with negative compensation”       | January 1, 2019                |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”            | January 1, 2019                |
| Amendments 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                |

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

- (i) 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.

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below,

- 1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

contract is or contains a lease based on the definition of a lease, as explained in Note 4(J).

On transition to IFRS 16, the Company choose to apply the definition of a lease to all its contracts as to whether a contract is, or contains, a lease.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office equipment.

● Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. The amount of right-of-use assets equals to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional \$67,226 of right-of-use assets and \$67,226 of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.25%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

|  | <b>January 1, 2019</b>   |
|--|--------------------------|
| Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements | \$ 24,720                |
| Recognition exemption for:   |                          |
| Extension and termination options reasonably certain to be exercised                               | 80,223                   |
|  | <b><u>\$ 104,943</u></b> |
| Lease liabilities recognized at January 1, 2019  | <b><u>\$ 67,226</u></b>  |

(b) The impact of IFRS endorsed by 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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

| <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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform" | January 1, 2020                |
| Amendments to IAS 1 and IAS 8 "Definition of Material"                 | January 1, 2020                |

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| <b>New, Revised or Amended Standards and Interpretations</b>   | <b>Effective date per IASB</b>          |
|--|---|
| 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                         |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"  | January 1, 2022                         |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

**(4) Summary of significant accounting policies:**

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language parent-company-only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated in note 3 and note 4(J), the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liability is recognized as the present value of the defined benefit obligation less fair value of plan assets.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economics, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current. An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the definition above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost – equity investment; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, 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 and interest on the principal amount outstanding.

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date on which the Company' s right to receive payment is established, which in the case of quoted securities, is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

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 Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, or at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company' s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company' s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;

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- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company' s claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on its financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits and other financial assets) and debt investments measured at FVOCI.

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities 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 trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, as well as analysis, based on the Company' s historical experience, informed credit assessment, and 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 the 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.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost 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 securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial assets

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average costing principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The Company evaluates a controlled investee company when preparing its parent-company-only financial statements. Under the equity method, the profit and other comprehensive income in the parent-company-only financial statements are the same as the profit and other comprehensive income belonging to the parent company in the consolidated financial statements. And the equity in the parent-company-only financial statements is the same as equity belonging to parent company in the financial statements on a consolidated basis.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

The estimated useful lives for current and comparative years are as follows:

|    |                            |               |
|----|----------------------------|---------------|
| 1) | Buildings and construction | 2~50<br>years |
| 2) | Machinery and equipment    | 2~10<br>years |
| 3) | Office equipment           | 3~5<br>years  |
| 4) | Other equipment            | 1~10<br>years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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At inception of a contract or when reassessing whether a contract contains a lease, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there are any lease modifications

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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

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(i) Lessee

Leases in which the Company does not assume substantially all of the risks and rewards of ownership are classified as operating leases. Those leases are not recognized in the Company's balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(k) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

|    |                        |                  |
|----|------------------------|------------------|
| 1) | Patents                | 9~20<br>years    |
| 2) | Computer software cost | 3 months~4 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

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

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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 Company has objective evidence that all criteria for acceptance have been satisfied.

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The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty.

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

The contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognized when products are delivered to customers.

2) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied

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performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or

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constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) levied by the same taxing authority; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the financial statement.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is valuation of inventory. As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

|  | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|--|------------------------------|------------------------------|
| Cash   | \$ 256                       | 151                          |
| Demand deposits  | 212,684                      | 168,605                      |
| Checking accounts  | 15                           | 440                          |
| Time deposits  | 1,054,475                    | 767,875                      |
| Notes under repurchase agreement                         | <u>31,105</u>                | <u>30,932</u>                |
| Cash and cash equivalents in the statement of cash flows | <u><b>\$ 1,298,535</b></u>   | <u><b>968,003</b></u>        |

Please refer to note 6(y) for the interest rate risk and sensitivity analysis of the financial assets of the Company.

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

|   | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|---|------------------------------|------------------------------|
| Financial assets mandatorily measured at fair value through profit or loss — current: |                              |                              |
| Open-end mutual funds   | \$ 54,018                    | 126,080                      |
| Swap contract   | <u>76</u>                    | <u>379</u>                   |
|   | <u><b>\$ 54,094</b></u>      | <u><b>126,459</b></u>        |
| Financial liabilities measured at fair value through profit or loss — current:        |                              |                              |
| Swap contract   | <u><b>\$ 994</b></u>         | <u><b>-</b></u>              |

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

The aforementioned financial assets were not pledged as collaterals.

The Company uses the derivative instruments to hedge certain currency the Company is exposed to arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

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| <b>December 31, 2019</b> |   |                 |                       |
|--------------------------|---|-----------------|-----------------------|
|                          | <b>Contract amount<br/>(in thousands)</b> | <b>Currency</b> | <b>Maturity Date</b>  |
| Swap contract            | USD 5,000                                 | NTD to USD      | 2020.01.17~2020.03.31 |
| <b>December 31, 2018</b> |   |                 |                       |
|                          | <b>Contract amount<br/>(in thousands)</b> | <b>Currency</b> | <b>Maturity Date</b>  |
| Swap contract            | USD<br>3,000                              | NTD to USD      | 108.01.22~108.03.04   |

Please refer to note (y) for the market risk and credit risk.

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

|  | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income – current :    |                              |                              |
| Common stocks listed on domestic markets   |                              |                              |
| Innolux Corp.  | \$ 9,555                     | 11,150                       |
| Fubon Financial Holding Co., Ltd.  | 13,920                       | 14,115                       |
| E.SUN Financial Holding Co., Ltd.  | -                            | 29,864                       |
| Radiant Opto-Electronics Corp.   | -                            | 21,125                       |
| Taiwan Cement Co., Ltd.  | -                            | 11,748                       |
| Synnex Technology International Co., Ltd.  | 17,175                       | 16,671                       |
| King Yuan Electronics Co., Ltd.  | -                            | 24,854                       |
| Nan Ya Plastics Corporation  | 15,288                       | 15,855                       |
| Pegatron Co., Ltd.   | 14,775                       | 11,102                       |
| Mega Financial Holding Co., Ltd.   | -                            | 14,403                       |
| Coasia Microelectronics Corp.  | 5,055                        | 4,265                        |
| Shian Yih Electronic Co., Ltd.   | 11,256                       | 9,552                        |
| Total  | <b>\$ 87,024</b>             | <b>184,704</b>               |
| Equity investments at fair value through other comprehensive income – noncurrent : |                              |                              |
| Common stocks unlisted on domestic markets – noncurrent :                          |                              |                              |
| Ascendax Venture Capital Corp.   | \$ 15,832                    | 11,388                       |
| Chenfeng Optronics Corp.   | 17,720                       | 20,040                       |
| Subtotal   | <b>33,552</b>                | <b>31,428</b>                |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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|  | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|--|------------------------------|------------------------------|
| Preference stocks listed on domestic markets |                              |                              |
| — noncurrent :                               |                              |                              |
| Fubon Financial Holding Co., Ltd.            | 890                          | 869                          |
| Total  | <u>\$ 34,442</u>             | <u>32,286</u>                |

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of \$7,600 and \$11,066, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

During the years ended December 31, 2019 and 2018, the Company sold part of equity investments at fair value through other comprehensive income as a result of financial management purpose. The shares were sold at fair value of \$128,516 and \$22,496, respectively; and the Company realized a gain of \$10,514 and 2,452, respectively. The gain has been transferred from other equity interest to retained earnings.

Please refer to note 6(y) for the market risk.

The aforementioned financial assets were not pledged as collaterals.

For the purpose of increasing investment benefits, the Company entrusted part of the listed stocks to banks. In accordance with the contract, The Company did not lose control of those financial assets. Therefore, those financial assets had not been derecognized. As of December 31, 2019 and 2018, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$9,555 and \$32,275, respectively.

(d) Accounts receivable

|   | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|---|------------------------------|------------------------------|
| Accounts receivable-measured as amortized cost              | \$ 339,878                   | 227,007                      |
| Accounts receivable-subsidiaries-measured as amortized cost | 289,755                      | 336,872                      |
| Loss allowance  | (18,771)                     | (19,694)                     |
|   | <u>\$ 610,862</u>            | <u>544,185</u>               |
| Recognized in:  |                              |                              |
| Account receivable, net                                     | \$ 321,107                   | 207,313                      |
| Account receivable — related parties                        | 289,755                      | 336,872                      |
|   | <u>\$ 610,862</u>            | <u>544,185</u>               |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

|                      | <b>December 31, 2019</b>         |                                       |                                     |
|----------------------|----------------------------------|---------------------------------------|-------------------------------------|
|                      | <b>Gross carrying<br/>amount</b> | <b>Weighted-average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Not over due         | \$ 490,070                       | -                                     | -                                   |
| Overdue 1~90 days    | 120,012                          | -                                     | -                                   |
| Overdue 91~180 days  | 780                              | -                                     | -                                   |
| Overdue 181~270 days | -                                | -                                     | -                                   |
| Overdue 271~365 days | -                                | -                                     | -                                   |
| Overdue 365 days     | <u>18,771</u>                    | 100.00%                               | <u>18,771</u>                       |
|                      | <b><u>\$ 629,633</u></b>         |                                       | <b><u>18,771</u></b>                |

  

|                      | <b>December 31, 2018</b>         |                                       |                                     |
|----------------------|----------------------------------|---------------------------------------|-------------------------------------|
|                      | <b>Gross carrying<br/>amount</b> | <b>Weighted-average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Not over due         | \$ 476,636                       |                                       | -                                   |
| Overdue 1~90 days    | 64,296                           |                                       | -                                   |
| Overdue 91~180 days  | 3,253                            |                                       | -                                   |
| Overdue 181~270 days | -                                | 30.06%                                | -                                   |
| Overdue 271~365 days | -                                | 100.00%                               | -                                   |
| Overdue 365 days     | <u>19,694</u>                    | 100.00%                               | <u>19,694</u>                       |
|                      | <b><u>\$ 563,879</u></b>         |                                       | <b><u>19,694</u></b>                |

The movement in the allowance for accounts receivables was as follow:

|  | <b>2019</b>             | <b>2018</b>          |
|--|-------------------------|----------------------|
| Balance on January 1                   | \$ 19,694               | 22,606               |
| Impairment losses recognized(reversed) | (923)                   | 661                  |
| Amounts written off                    | -                       | (3,573)              |
| Balance on December 31                 | <b><u>\$ 18,771</u></b> | <b><u>19,694</u></b> |

The aforementioned financial assets were not pledged as collaterals.

Please refer to note 6(y) for other credit risk information.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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## (e) Other receivables

|  | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|------------------------------|------------------------------|
| Other receivable—loans to subsidiaries   | \$ 20,986                    | 44,537                       |
| Other receivable:  |                              |                              |
| Loans to employee  | 8,834                        | 14,415                       |
| Receivable resulting from selling equity investments<br>at fair value through other comprehensive income | 7,218                        | -                            |
| Interest receivable  | 2,014                        | 1,411                        |
|  | <u>18,066</u>                | <u>15,826</u>                |
| Loss allowance   | -                            | -                            |
|  | <u>\$ 39,052</u>             | <u>60,363</u>                |

Please refer to note 6(y) for other credit risk information.

## (f) Inventories

|                            | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|----------------------------|------------------------------|------------------------------|
| Raw materials and supplies | \$ 243,826                   | 267,544                      |
| Work in process            | 280,261                      | 274,480                      |
| Finished goods             | 177,235                      | 173,745                      |
| Inventories in transit     | 10,972                       | 10,157                       |
|                            | <u>\$ 712,294</u>            | <u>725,926</u>               |

The details of the cost of sales were as follows:

|   | <b>2019</b>         | <b>2018</b>      |
|---|---------------------|------------------|
| Inventory that has been sold or recognized in expense | \$ 3,216,520        | 2,265,679        |
| Reversal of write-downs                               | (3,790)             | (16,541)         |
| Unallocated production overheads                      | 13,440              | 24,516           |
| Scrap loss  | 86,805              | 73,546           |
| Others  | (260)               | (202)            |
|   | <u>\$ 3,312,715</u> | <u>2,346,998</u> |

The previous write-down inventories were sold, therefore, the net realizable value of inventories lowered than cost no longer existed. The reversal of write-down was recognized as a reduction of operating costs.

The inventories of the Company were not pledged as collaterals.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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## (g) Other assets

The details of other assets were as follows:

|                                    | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|------------------------------------|------------------------------|------------------------------|
| Prepayment for purchases           | \$ 39,259                    | 30,987                       |
| Prepaid expenses                   | 3,677                        | 4,657                        |
| Restricted time deposits           | 1,543                        | 1,536                        |
| Refundable deposits                | 2,866                        | 2,866                        |
| Prepayment for investments         | -                            | 2,700                        |
| Others                             | 6,355                        | 4,793                        |
|                                    | <b><u>\$ 53,700</u></b>      | <b><u>47,539</u></b>         |
| Recognized in:                     |                              |                              |
| Other current assets               | \$ 50,834                    | 41,973                       |
| Other non-current financial assets | 2,866                        | 5,566                        |
|                                    | <b><u>\$ 53,700</u></b>      | <b><u>47,539</u></b>         |

The above mentioned restricted time deposits and refundable deposits had been pledged as collateral; please refer to note 8.

## (h) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

|              | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--------------|------------------------------|------------------------------|
| Subsidiaries | <b><u>\$ 288,846</u></b>     | <b><u>287,165</u></b>        |

During the years ended December 31, 2019 and 2018, cash dividends from above mentioned subsidiaries were \$3,434 and \$4,918, respectively.

For the related information, please refer to the consolidated financial statements for the year ended December 31, 2019.

The investments accounted for using equity method of the Company were not pledged as collaterals.

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

Please refer to the consolidated financial statements for the year ended December 31, 2019.

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(j) Property, plant and equipment

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

|                              | Buildings and<br>construction | Machinery and<br>equipment | Office<br>equipment | Other          | Total            |
|------------------------------|-------------------------------|----------------------------|---------------------|----------------|------------------|
| Cost or deemed cost:         |                               |                            |                     |                |                  |
| Balance on January 1, 2019   | \$ 940,244                    | 2,201,962                  | 19,635              | 142,030        | 3,303,871        |
| Additions                    | 5,668                         | 3,922                      | 92                  | 24,771         | 34,453           |
| Reclassification             | 32,748                        | 4,690                      | -                   | (37,438)       | -                |
| Disposals                    | -                             | -                          | -                   | (2,200)        | (2,200)          |
| Balance on December 31, 2019 | <u>\$ 978,660</u>             | <u>2,210,574</u>           | <u>19,727</u>       | <u>127,163</u> | <u>3,336,124</u> |
| Balance on January 1, 2018   | \$ 928,592                    | 2,364,283                  | 19,285              | 91,499         | 3,403,659        |
| Additions                    | 262                           | 5,767                      | 350                 | 72,518         | 78,897           |
| Reclassification             | 11,390                        | 6,297                      | -                   | (17,687)       | -                |
| Disposals                    | -                             | (174,385)                  | -                   | (4,300)        | (178,685)        |
| Balance on December 31, 2018 | <u>\$ 940,244</u>             | <u>2,201,962</u>           | <u>19,635</u>       | <u>142,030</u> | <u>3,303,871</u> |
| Depreciation:                |                               |                            |                     |                |                  |
| Balance on January 1, 2019   | \$ 738,168                    | 2,139,876                  | 18,550              | 66,764         | 2,963,358        |
| Depreciation                 | 15,018                        | 24,065                     | 604                 | 26,228         | 65,915           |
| Disposals                    | -                             | -                          | -                   | (2,200)        | (2,200)          |
| Balance on December 31, 2019 | <u>\$ 753,186</u>             | <u>2,163,941</u>           | <u>19,154</u>       | <u>90,792</u>  | <u>3,027,073</u> |
| Balance on January 1, 2018   | \$ 713,452                    | 2,284,948                  | 17,864              | 62,883         | 3,079,147        |
| Depreciation                 | 13,326                        | 29,313                     | 686                 | 19,571         | 62,896           |
| Reclassification             | 11,390                        | -                          | -                   | (11,390)       | -                |
| Disposals                    | -                             | (174,385)                  | -                   | (4,300)        | (178,685)        |
| Balance on December 31, 2018 | <u>\$ 738,168</u>             | <u>2,139,876</u>           | <u>18,550</u>       | <u>66,764</u>  | <u>2,963,358</u> |
| Carrying amounts:            |                               |                            |                     |                |                  |
| Balance on December 31, 2019 | <u>\$ 225,474</u>             | <u>46,633</u>              | <u>573</u>          | <u>36,371</u>  | <u>309,051</u>   |
| Balance on January 1, 2018   | <u>\$ 215,140</u>             | <u>79,335</u>              | <u>1,421</u>        | <u>28,616</u>  | <u>324,512</u>   |
| Balance on December 31, 2018 | <u>\$ 202,076</u>             | <u>62,086</u>              | <u>1,085</u>        | <u>75,266</u>  | <u>340,513</u>   |

Please refer to note 6(x) for gain (loss) on disposal of property, plant and equipment.

Property, plant and equipment pledged as collateral for long-term loans and finance as of December 31, 2019 and 2018, are disclosed in note 8.

(k) Right-of-use assets

The Company leases land. Information about leases for which the Company as a lessee was presented below :

|                              | Amount           |
|------------------------------|------------------|
| Cost :                       |                  |
| Balance on January 1, 2019   | <u>\$ 67,226</u> |
| Balance on December 31, 2019 | <u>\$ 67,226</u> |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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|                              | <b>Amount</b>    |
|------------------------------|------------------|
| Depreciation:                |                  |
| Balance on January 1, 2019   | \$ -             |
| Depreciation                 | 2,757            |
| Balance on December 31, 2019 | <b>\$ 2,757</b>  |
| Carrying amounts:            |                  |
| Balance on December 31, 2019 | <b>\$ 64,469</b> |
| Balance on January 1, 2019   | <b>\$ 67,226</b> |

The Company leases land under operating leases for the year ended December 31, 2018, please refer to note 6(p).

(l) Intangible assets

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

|                              | <b>Patent<br/>and other</b> | <b>Computer<br/>software cost</b> | <b>Total<br/>amount</b> |
|------------------------------|-----------------------------|-----------------------------------|-------------------------|
| Cost:                        |                             |                                   |                         |
| Balance on January 1, 2019   | \$ 4,141                    | 4,989                             | 9,130                   |
| Individual acquisition       | 139                         | 2,193                             | 2,332                   |
| Disposal                     | (723)                       | -                                 | (723)                   |
| Balance on December 31, 2019 | <b>\$ 3,557</b>             | <b>7,182</b>                      | <b>10,739</b>           |
| Balance on January 1, 2018   | \$ 3,899                    | 3,191                             | 7,090                   |
| Individual acquisition       | 279                         | 1,798                             | 2,077                   |
| Disposal                     | (37)                        | -                                 | (37)                    |
| Balance on December 31, 2018 | <b>\$ 4,141</b>             | <b>4,989</b>                      | <b>9,130</b>            |
| Amortization:                |                             |                                   |                         |
| Balance on January 1, 2019   | \$ 2,438                    | 4,244                             | 6,682                   |
| Amortization                 | 422                         | 598                               | 1,020                   |
| Disposal                     | (723)                       | -                                 | (723)                   |
| Balance on December 31, 2019 | <b>\$ 2,137</b>             | <b>4,842</b>                      | <b>6,979</b>            |
| Balance on January 1, 2018   | \$ 1,897                    | 1,768                             | 3,665                   |
| Amortization                 | 578                         | 2,476                             | 3,054                   |
| Disposal                     | (37)                        | -                                 | (37)                    |
| Balance on December 31, 2018 | <b>\$ 2,438</b>             | <b>4,244</b>                      | <b>6,682</b>            |
| Carrying amounts:            |                             |                                   |                         |
| Balance on December 31, 2019 | <b>\$ 1,420</b>             | <b>2,340</b>                      | <b>3,760</b>            |
| Balance on January 1, 2018   | <b>\$ 2,002</b>             | <b>1,423</b>                      | <b>3,425</b>            |
| Balance on December 31, 2018 | <b>\$ 1,703</b>             | <b>745</b>                        | <b>2,448</b>            |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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The amortization expenses of intangible assets included in the statement of comprehensive income were as follows:

|                    | <u>2019</u>            | <u>2018</u>         |
|--------------------|------------------------|---------------------|
| Operating costs    | \$ 562                 | 792                 |
| Operating expenses | <u>458</u>             | <u>2,262</u>        |
| Total              | <u><b>\$ 1,020</b></u> | <u><b>3,054</b></u> |

The intangible assets of the Company were not pledged as collateral.

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

|                                | <u>December 31, 2019</u>   | <u>December 31, 2018</u>  |
|--------------------------------|----------------------------|---------------------------|
| Unsecured bank loans           | <u><b>\$ 400,000</b></u>   | <u><b>370,000</b></u>     |
| Unused short-term credit lines | <u><b>\$ 1,272,106</b></u> | <u><b>1,315,911</b></u>   |
| Range of interest rates        | <u><b>0.95%~1.04%</b></u>  | <u><b>0.95%~1.05%</b></u> |

Please refer to note 8 for assets pledged as collateral for short-term borrowings.

As of December 31, 2019 and 2018, the letters of credit which were accepted for purchase of raw materials amounted to \$1,659 and \$6,374.

Please refer to note 6(y) for the interest rate risk, currency risk and sensitivity analysis of the financial liabilities of the Company.

(n) Long-term borrowings

The long-term borrowings were summarized as follows:

|  | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|--------------------------|--------------------------|
| Secured bank loans                     | \$ 320,000               | 400,000                  |
| Less: discount on long term borrowings | <u>(445)</u>             | <u>(1,112)</u>           |
| Total                                  | <u><b>\$ 319,555</b></u> | <u><b>398,888</b></u>    |
| Recognized in:                         |                          |                          |
| Long-term borrowings, current portion  | \$ 319,555               | -                        |
| Long-term borrowings                   | <u>-</u>                 | <u><b>398,888</b></u>    |
|  | <u><b>\$ 319,555</b></u> | <u><b>398,888</b></u>    |
| Unused long-term credit lines          | <u><b>\$ 320,000</b></u> | <u><b>400,000</b></u>    |
| Range of interest rates                | <u><b>1.8085%</b></u>    | <u><b>1.8019%</b></u>    |

The Company signed a 3-year syndicated loan contract with Taishin International Bank and seven other Banks at November 17, 2016, with a credit line which decreases every 6 months since two years after the first appropriation date. The first and second phase will decrease by 20% of the

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effective credit line, and the third phase will decrease by 60%. The Company will repay the total borrowing upon maturity. The Company borrowed \$400,000 thousand at August 15, 2017, with restrictions related to the contract are as follows:

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

- (i) A maximum debt ratio of 150% should be maintained.
- (ii) A minimum current ratio of 100% should be maintained.
- (iii) A minimum times interest earned ratio of 2.5 should be maintained.
- (iv) Minimum net tangible assets of \$1,600,000 should be maintained.

Because of financial management purpose, the Company repaid \$80,000 in November 2019, which is earlier than the maturity date.

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

- (o) Lease liabilities

|             | <b>December 31,</b> |
|-------------|---------------------|
|             | <b>2019</b>         |
| Current     | <b>\$ 1,928</b>     |
| Non-current | <b>\$ 63,432</b>    |

For the maturity analysis, please refer to note 6(y).

The amounts recognized in profit or loss were as follows:

|  | <b>2019</b>     |
|--|-----------------|
| Interest on lease liabilities  | <b>\$ 2,157</b> |
| Expenses relating to short-term leases   | <b>\$ 300</b>   |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <b>\$ 144</b>   |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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The amounts recognized in the statement of cash flows for the Company was as follows:

|                               |                 |
|-------------------------------|-----------------|
|                               | <b>2019</b>     |
| Total cash outflow for leases | <b>\$ 4,542</b> |

As of December 31, 2019, the Company leases land for its office space and factory. The leases of land typically run for a period of 10 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices, which usually change annually.

Some lease contracts contain extension options. The extension options held are exercisable only by the Company and not by the lessors. In which lease is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

For the details on the operating leases of the Company on December 31, 2018, please refer to note 6(p).

(p) Operating lease

The Company as lessee

Non-cancellable operating lease rentals that were payable as of December 31, 2018 were as follows:

|                            |                  |
|----------------------------|------------------|
|                            | <b>Amount</b>    |
| Less than one year         | \$ 4,053         |
| Between one and five years | 11,318           |
| Over five years            | 9,349            |
|                            | <b>\$ 24,720</b> |

The Company leases land under operating leases. The leases typically run for 10 years, with an option to renew the lease after that date. Lease payments are adjusted periodically to reflect market rentals.

The rental expense of operating leases was \$4,053 for the years ended 2018, and was included in profit or loss.

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## (q) Employee benefits

## (i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan asset at fair value are as follows:

|  | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 202,792                   | 193,445                      |
| Fair value of plan assets                    | <u>(114,246)</u>             | <u>(105,219)</u>             |
| Net defined benefit liabilities              | <u><b>\$ 88,546</b></u>      | <u><b>88,226</b></u>         |

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on the years of service and average salary for the six months prior to retirement.

## 1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$114,246 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

## 2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

|   | <u>2019</u>              | <u>2018</u>           |
|---|--------------------------|-----------------------|
| Defined benefit obligations at January 1                      | \$ 193,445               | 182,027               |
| Current service and interest cost                             | 3,197                    | 3,538                 |
| Remeasurement of the net defined benefit liabilities (assets) |                          |                       |
| — Actuarial loss (gain) on financial assumptions change       | 194                      | 7,720                 |
| — Experience  | 5,956                    | 2,270                 |
| Employee benefits paid  | <u>-</u>                 | <u>(2,110)</u>        |
| Defined benefit obligations at December 31                    | <u><b>\$ 202,792</b></u> | <u><b>193,446</b></u> |

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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

|   | <u>2019</u>       | <u>2018</u>    |
|---|-------------------|----------------|
| Fair value of plan assets at January 1                        | \$ 105,219        | 99,030         |
| Interest income   | 1,474             | 1,642          |
| Remeasurement of the net defined benefit liabilities (assets) |                   |                |
| — Return on plan assets (excluding current interest cost)     | 3,273             | 2,318          |
| Contributions made by employer                                | 4,280             | 4,339          |
| Employee benefits paid  | -                 | (2,110)        |
| Fair value of plan assets at December 31                      | <u>\$ 114,246</u> | <u>105,219</u> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

|   | <u>2019</u>     | <u>2018</u>  |
|---|-----------------|--------------|
| Current service cost  | \$ 540          | 583          |
| Net interest cost on net defined benefit liabilities (assets) | <u>1,183</u>    | <u>1,313</u> |
|   | <u>\$ 1,723</u> | <u>1,896</u> |
| Operating cost  | \$ 1,317        | 1,464        |
| Selling expenses  | 60              | 65           |
| General and administrative expenses                           | 193             | 204          |
| Research and development expenses                             | <u>153</u>      | <u>163</u>   |
|   | <u>\$ 1,723</u> | <u>1,896</u> |
| Actual return on assets                                       | <u>\$ 4,747</u> | <u>3,960</u> |

5) Remeasurement in net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income were as follows:

|                                  | <u>2019</u>        | <u>2018</u>     |
|----------------------------------|--------------------|-----------------|
| Cumulative amount at January 1   | \$ (39,724)        | (32,052)        |
| Recognized during the period     | <u>(2,876)</u>     | <u>(7,672)</u>  |
| Cumulative amount at December 31 | <u>\$ (42,600)</u> | <u>(39,724)</u> |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

|                         | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|-------------------------|------------------------------|------------------------------|
| Discount rate           | 1.125%                       | 1.375%                       |
| Future salary increases | 2.50%                        | 2.750%                       |

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$4,168.

The weighted-average lifetime of the defined benefits plans is 18.04 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|   | <u>Influences of defined benefit<br/>obligations</u> |                  |
|---|--|------------------|
|   | <u>Increased</u>                                     | <u>Decreased</u> |
| As of December 31, 2019                       |  |                  |
| Discount rate (changed 0.25%)                 | \$ (7,679)   | 8,047            |
| Future salary increasing rate (changed 0.25%) | 7,827  | (7,488)          |
| As of December 31, 2018                       |  |                  |
| Discount rate (changed 0.25%)                 | (7,721)  | 8,102            |
| Future salary increasing rate (changed 0.25%) | 7,863  | (7,551)          |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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Details of the Company' s pension costs under the defined contribution method were as follows:

|                                     | <u>2019</u>      | <u>2018</u>   |
|-------------------------------------|------------------|---------------|
| Operating cost                      | \$ 18,389        | 17,132        |
| Selling expenses                    | 1,287            | 1,284         |
| General and administrative expenses | 1,308            | 1,245         |
| Research and development expenses   | 2,615            | 2,334         |
|                                     | <u>\$ 23,599</u> | <u>21,995</u> |

(r) Income taxes

(i) Income tax expenses

The amount of income tax expense was as follows:

|   | <u>2019</u>      | <u>2018</u>   |
|---|------------------|---------------|
| Current tax expense                                     |                  |               |
| Current period  | \$ 53,900        | 9,655         |
| Adjustment for prior periods                            | (4,405)          | (3,708)       |
|   | <u>49,495</u>    | <u>5,947</u>  |
| Deferred tax expense (benefit)                          |                  |               |
| Origination and reversal of temporary differences       | (4,072)          | 10,047        |
| Adjustment in tax rate                                  | -                | (5,725)       |
| Change in unrecognized deductible temporary differences | (1,696)          | 1,163         |
|   | <u>(5,768)</u>   | <u>5,485</u>  |
| Income tax expenses                                     | <u>\$ 43,727</u> | <u>11,432</u> |

No income tax was recognized directly in equity and other comprehensive income.

Reconciliation of income tax and profit before tax is as follows:

|                          | <u>2019</u>       | <u>2018</u>    |
|--------------------------|-------------------|----------------|
| Income before income tax | <u>\$ 301,052</u> | <u>123,358</u> |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

|   | <u>2019</u>      | <u>2018</u>   |
|---|------------------|---------------|
| Income tax calculated based on the Company's tax rate             | \$ 60,210        | 24,671        |
| Domestic investment loss (gain) under the equity method           | (137)            | (633)         |
| Adjustment in tax rate  | -                | (5,725)       |
| Tax-exempt income-dividend income                                 | (1,522)          | (2,213)       |
| Tax-exempt income- gains derived from the securities transactions | 27               | -             |
| Change in unrecognized temporary differences                      | (1,696)          | 1,163         |
| Investment tax credit   | (7,650)          | (2,800)       |
| Adjustment for prior periods                                      | (4,405)          | (3,708)       |
| Others  | (1,100)          | 677           |
| Total   | <u>\$ 43,727</u> | <u>11,432</u> |

## (ii) Deferred tax assets and liabilities

## 1) Unrecognized deferred tax assets

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

|   | <u>December 31,<br/>2019</u> | <u>December 31,<br/>2018</u> |
|---|------------------------------|------------------------------|
| Pension expense   | \$ 77,500                    | 76,010                       |
| Temporary differences related to investment on subsidiaries | 155,198                      | 163,763                      |
|   | <u>\$ 232,698</u>            | <u>239,773</u>               |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

## 2) Recognized deferred tax assets and liabilities

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

Deferred tax liabilities:

|                              | <u>Unrealized<br/>exchange gain</u> | <u>Others</u> | <u>Total</u> |
|------------------------------|-------------------------------------|---------------|--------------|
| Balance on January 1, 2019   | \$ 856                              | 76            | 932          |
| Recognized in profit or loss | (856)                               | (76)          | (932)        |
| Balance on December 31, 2019 | <u>\$ -</u>                         | <u>-</u>      | <u>-</u>     |
| Balance on January 1, 2018   | \$ -                                | -             | -            |
| Recognized in profit or loss | 856                                 | 76            | 932          |
| Balance on December 31, 2018 | <u>\$ 856</u>                       | <u>76</u>     | <u>932</u>   |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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Deferred tax assets:

|                                     | Inventory<br>valuation<br>loss | Unrealized<br>sales profit | Unrealized<br>exchange<br>loss | Others        | Total         |
|-------------------------------------|--------------------------------|----------------------------|--------------------------------|---------------|---------------|
| <b>Balance on January 1, 2019</b>   | \$ 11,804                      | 1,937                      | -                              | 14,152        | 27,893        |
| Recognized in profit or loss        | \$ (758)                       | 776                        | 6,076                          | (1,258)       | 4,836         |
| <b>Balance on December 31, 2019</b> | <b>\$ 11,046</b>               | <b>2,713</b>               | <b>6,076</b>                   | <b>12,894</b> | <b>32,729</b> |
| <b>Balance on January 1, 2018</b>   | \$ 12,845                      | 2,099                      | 5,270                          | 12,232        | 32,446        |
| Recognized in profit or loss        | \$ (1,041)                     | (162)                      | (5,270)                        | 1,920         | (4,553)       |
| <b>Balance on December 31, 2018</b> | <b>\$ 11,804</b>               | <b>1,937</b>               | <b>-</b>                       | <b>14,152</b> | <b>27,893</b> |

(iii) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the R.O.C tax authority.

(s) Capital and other equities

(i) Ordinary shares

As of December 31, 2019 and 2018, the authorized share capital of the Company amounted to \$3,500,000, comprising 350,000 thousand shares with a par value of New Taiwan dollars (TWD) 10 per share.

Reconciliation of shares issued by the Company is as follows:

(Unit: thousands of shares)

|                               | <b>Ordinary shares</b> |                |
|-------------------------------|------------------------|----------------|
|                               | <b>2019</b>            | <b>2018</b>    |
| Balance on January 1          | 174,408                | 183,408        |
| Treasury shares retired       | (12,000)               | (9,000)        |
| <b>Balance on December 31</b> | <b>162,408</b>         | <b>174,408</b> |

As of December 31, 2019 and 2018, the weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Company's subsidiaries were 148,613 thousand shares and 153,613 thousand shares, respectively.

(ii) Capital surplus

The balances of capital surplus were as follows:

|                             | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|-----------------------------|------------------------------|------------------------------|
| Treasury share transactions | <b>\$ 4,397</b>              | <b>28,226</b>                |

According to the Company Act, any realized capital surplus is initially used to cover any deficit, and the balance, if any, could be transferred to common stock as stock dividend or distributed as cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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value and endowments received by the Company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the combined amount of any portions capitalized in any one year may not exceed 10% of paid-in capital.

(iii) Retained Earning

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. Only if the legal reserve have attained to the paid-in capital could be the exception, besides, special reserves are supposed to set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's industry is currently in a steady growth phase. The Company's dividend policy is to pay dividends from surplus considering the future capital budget requirement and cash requirements, and taking into the extent of dilution on earnings per share and influence upon return on equity. Therefore, the future distribution of earnings shall be distributed in cash dividends and/or stock dividends. The ratio of cash dividends shall not be less than 50% of the Company's total dividends for every year.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2019 and 2018, resolutions were passed during the board meeting for the Company to reclassify \$112,571 and \$74,873, respectively, as a special earnings reserve.

In accordance with Rule No. 1010047490 issued by the FCS on November 21, 2012, if the market value of the Company's shares is lower than the carrying value of the Company's shares held by the subsidiaries at year-end, the Company should retain a special reserve amounting to the difference between the market value and the carrying value, based upon the Company's ownership percentage in the subsidiaries. When market value rebounds, the Company could reverse the special reserve. As of December 31, 2019 and 2018, resolutions were passed during the board meeting for the Company to reclassify \$38,736 and \$34,339, respectively, as a special earnings reserve.

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3) Earnings distribution

- a) According to the resolutions of the annual stockholders' meetings held on June 4, 2019, and June 12, 2018, the appropriations of dividend from the distributable retained earnings of 2018 and 2017 were as follows:

|  | <b>2018</b>   | <b>2017</b>              |
|--|---------------|--------------------------|
| Dividends distributed to ordinary shareholders (New Taiwan Dollar) |               |                          |
| Cash   | <b>\$ 0.5</b> | <b>0.40827680</b> (note) |

(Note) According to the resolutions of the annual stockholders' meetings, the appropriation of dividend from the distributable retained earnings was NTD 0.4 per share. However, it was adjusted to NTD 0.40827680 because the repurchase of treasury shares affected shares outstanding.

(iv) Other equity (net of tax)

|   | <b>Foreign exchange differences arising from foreign operation</b> | <b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b> | <b>Unrealized gains (losses) on available-for-sale financial assets</b> | <b>Total</b>     |
|---|--|--|---|------------------|
| Balance on January 1, 2019  | \$ (8,271)   | (104,299)  | -   | (112,570)        |
| The Company   | (5,166)  | 30,292   | -   | 25,126           |
| Subsidiaries  | (674)  | (3,980)  | -   | (4,654)          |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -  | (10,514)   | -   | (10,514)         |
| Balance on December 31, 2019  | <b>\$ (14,111)</b>   | <b>(88,501)</b>  | -   | <b>(102,612)</b> |
| Balance on January 1, 2018  | \$ (8,709)   | -  | (66,163)  | (74,872)         |
| Effects of retrospective application of IFRS9   | -  | (79,429)   | 66,163  | (13,266)         |
| Balance on January 1, 2018 after adjustments  | (8,709)  | (79,429)   | -   | (88,138)         |
| The Company   | 858  | (15,204)   | -   | (14,346)         |
| Subsidiaries  | (420)  | (7,214)  | -   | (7,634)          |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -  | (2,452)  | -   | (2,452)          |
| Balance on December 31, 2018  | <b>\$ (8,271)</b>  | <b>(104,299)</b>   | -   | <b>(112,570)</b> |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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(v) Treasury shares

The movements of treasury shares of the Company were as follows:

(Unit: thousands)

| <u>Reason for repurchase</u><br><u>2019</u>                  | <u>January 1</u> | <u>Shares repurchased</u> | <u>Shares retired</u> | <u>December 31</u> |
|--|------------------|---------------------------|-----------------------|--------------------|
| To transfer shares to the Company's employee                 | <u>12,000</u>    | <u>5,000</u>              | <u>12,000</u>         | <u>5,000</u>       |
| <b>2018</b>  |                  |                           |                       |                    |
| To maintain the Company's integrity and shareholder's equity | -                | 9,000                     | (9,000)               | -                  |
| To transfer shares to the Company's employee                 | <u>12,000</u>    | -                         | -                     | <u>12,000</u>      |
|  | <u>12,000</u>    | <u>9,000</u>              | <u>(9,000)</u>        | <u>12,000</u>      |

The Board of Directors has resolved during the board meeting held on January 8, 2019, March 2, 2018, and August 3, 2018, for the Company to repurchase its stock as treasury shares. The Company's Board of Directors approved resolutions to retire treasury shares amounting to 12,000 thousand shares and 9,000 thousand shares, respectively, on March 8, 2019, May 4, 2018, and November 2, 2018. The related registration procedures had been completed.

In accordance with Article 28-2 of the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The aforementioned repurchased shares and amount did not exceed statutory limit.

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

As of December 31, 2019, the cost of treasury shares amounted to \$50,739 and \$150,927, respectively.

Ying Dar Corp. and Bae Haw Corp., subsidiaries of the Company, held the Company's common stock. In 2019 and 2018, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of December 31, 2019 and 2018, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. The cost was \$122,282 which was recognized in treasury shares. As of December 31, 2019 and 2018, their market values amounted to \$154,781 and \$83,547, respectively.

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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## (t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

|   | <u>2019</u>       | <u>2018</u>    |
|---|-------------------|----------------|
| <b>Basic earnings per share</b>   |                   |                |
| Profit attributable to ordinary shareholders of the Company                             | <u>\$ 257,325</u> | <u>111,926</u> |
| Weighted-average number of ordinary shares (expressed in thousands of shares)           | <u>148,848</u>    | <u>157,803</u> |
| Expressed in New Taiwan dollars   | <u>\$ 1.73</u>    | <u>0.71</u>    |
| <b>Diluted earnings per share</b>   |                   |                |
| Profit attributable to ordinary shareholders of the Company                             | <u>\$ 257,325</u> | <u>111,926</u> |
| Weighted-average number of ordinary shares (expressed in thousands of shares)           | 148,848           | 157,803        |
| Effect of potentially dilutive ordinary stock   |                   |                |
| —Employee share bonus (expressed in thousands of shares)                                | <u>1,023</u>      | <u>774</u>     |
| Weighted-average number of ordinary shares – diluted (expressed in thousands of shares) | <u>149,871</u>    | <u>158,577</u> |
| Expressed in New Taiwan dollars   | <u>\$ 1.72</u>    | <u>0.71</u>    |

In computing basic earnings per share of ordinary stock, the weighted-average numbers of shares of ordinary stock outstanding excluded 8,794 thousand shares of ordinary stock held by the Company's subsidiaries as treasury shares.

## (u) Revenue from contracts with customers

## (i) Disaggregation of revenue

|                               | <u>2019</u>         | <u>2018</u>      |
|-------------------------------|---------------------|------------------|
| Primary geographical markets: |                     |                  |
| Europe                        | \$ 2,254,107        | 1,132,845        |
| America                       | 1,133,778           | 1,082,325        |
| Others                        | <u>603,587</u>      | <u>493,725</u>   |
| Total                         | <u>\$ 3,991,472</u> | <u>2,708,895</u> |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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|   | <b>2019</b>                  | <b>2018</b>                  |                            |
|---|------------------------------|------------------------------|----------------------------|
| Major products:   |                              |                              |                            |
| Liquid crystal display modules  | \$ 1,542,823                 | 1,659,541                    |                            |
| Capacitive touch panel and capacitive touch panel module                        | 2,376,660                    | 1,007,995                    |                            |
| Others  | 71,989                       | 41,359                       |                            |
| Total   | <b>\$ 3,991,472</b>          | <b>2,708,895</b>             |                            |
| <br>(ii) Contract balances  |                              |                              |                            |
|   | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> | <b>January 1,<br/>2018</b> |
| Accounts receivable (including related parties)                                 | \$ 629,633                   | 563,879                      | 611,393                    |
| Less: allowance for impairment  | (18,771)                     | (19,694)                     | (22,606)                   |
| Total   | <b>\$ 610,862</b>            | <b>544,185</b>               | <b>588,787</b>             |
| Contract liabilities-unearned revenue (recognized in other current liabilities) | <b>\$ 12,942</b>             | <b>5,348</b>                 | <b>10,185</b>              |

For details on accounts receivable and allowance for impairment, please refer to note 6 (d).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$4,210 and \$9,515, respectively.

(v) Employee remuneration and directors' and supervisors' remuneration

In accordance with the Articles of incorporation, the Company should contribute no less than 5% of the profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$16,362 and \$6,704, and directors' and supervisors' remuneration amounting to \$9,817 and \$4,023, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. The aforementioned amounts are identical to those of the estimated

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amounts, as stated in the parent only financial statements 2019 and 2018. The amounts, as stated in the parent only financial statements, are identical to those of the actual distributions for 2019 and 2018. Related information would be available at the Market Observation Post System website.

(w) Net other income (expenses)

Net other income (expenses) consists of income from lending space.

(x) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

|                          | <u>2019</u>      | <u>2018</u>   |
|--------------------------|------------------|---------------|
| Interest income          |                  |               |
| Bank deposits            | \$ 20,175        | 16,895        |
| Loans to related parties | 1,312            | 1,609         |
| Others                   | 164              | 191           |
| Dividend income          | 7,600            | 11,066        |
| Others                   | 2,001            | 3,843         |
|                          | <u>\$ 31,252</u> | <u>33,604</u> |

(ii) Other gains and losses

The details of other gains and losses were as follows:

|  | <u>2019</u>        | <u>2018</u>   |
|--|--------------------|---------------|
| Foreign exchange gains (losses)  | \$ (33,768)        | 41,731        |
| Net gains (losses) on disposal of financial assets<br>(liabilities) measured at fair value through profit<br>or loss | 3,795              | (2,961)       |
| Gain on disposal of property, plant and equipment  | 367                | 1,347         |
| Others   | (569)              | (2)           |
|  | <u>\$ (30,175)</u> | <u>40,115</u> |

(iii) Finance costs

The details of finance costs were as follows:

|                   | <u>2019</u>      | <u>2018</u>   |
|-------------------|------------------|---------------|
| Interest expenses |                  |               |
| Bank loans        | \$ 10,828        | 12,009        |
| Lease liabilities | 2,157            | -             |
| Management fee    | 250              | 250           |
|                   | <u>\$ 13,235</u> | <u>12,259</u> |

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(y) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2019 and 2018, one customer accounted for 46% and 60%, respectively, of total accounts receivable.

3) Credit risk of accounts receivable

For credit risk exposure of accounts receivable, please refer to note 6(d).

Other financial assets at amortized cost include other receivables, refundable deposits, and restricted time deposits

The following table presents whether assets measured at amortized cost were subject to a 12-month ECL or lifetime ECL allowance, and in the latter case, whether they were credit-impaired:

|                                      | <b>December 31, 2019</b>                  |   |  |
|--------------------------------------|---|---|--|
|                                      | <b>Financial assets at amortized cost</b> |   |  |
|                                      | <b>12-month ECL</b>                       | <b>Lifetime ECL-not<br/>credit-impaired</b> | <b>Lifetime ECL-<br/>credit-impaired</b> |
| Other receivable — related parties   | \$ 20,986                                 | -   | -  |
| Other receivable — loans to employee | 8,834                                     | -   | -  |
| Other receivable — others            | 9,232                                     | -   | -  |
| Refundable deposits                  | 2,866                                     | -   | -  |
| Restricted time deposits             | 1,543                                     | -   | -  |
| Allowance for impairment             | -   | -   | -  |
| Amortized cost                       | <b>\$ 43,461</b>                          | <b>-</b>                                    | <b>-</b>                                 |
| Carrying amount                      | <b>\$ 43,461</b>                          | <b>-</b>                                    | <b>-</b>                                 |

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**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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|                                     | December 31, 2018                  |  |                                  |
|-------------------------------------|------------------------------------|--|----------------------------------|
|                                     | Financial assets at amortized cost |  |                                  |
|                                     | 12-month ECL                       | Lifetime<br>ECL-not<br>credit-impaired | Lifetime ECL-<br>credit-impaired |
| Other receivable—related parties \$ | 44,537                             | -                                      | -                                |
| Other receivable—loans to employee  | 14,415                             | -                                      | -                                |
| Other receivable—others             | 1,411                              | -                                      | -                                |
| Refundable deposits                 | 2,866                              | -                                      | -                                |
| Restricted time deposits            | 1,536                              | -                                      | -                                |
| Allowance for impairment            | -                                  | -                                      | -                                |
| Amortized cost                      | <b>\$ 64,765</b>                   | -                                      | -                                |
| Carrying amount                     | <b>\$ 64,765</b>                   | -                                      | -                                |

The movements in the allowance for impairment for abovementioned financial assets at amortized cost were as follows:

|                                       | 12-month ECL | Lifetime<br>ECL-not<br>credit-impaired | Lifetime<br>ECL-<br>credit-impaired |
|---------------------------------------|--------------|--|-------------------------------------|
|                                       | red          | red                                    | red                                 |
| Balance on January 1, 2019            | \$ -         | -                                      | -                                   |
| Balance on December 31, 2019          | \$ -         | -                                      | -                                   |
|                                       | 12-month ECL | Lifetime<br>ECL-not<br>credit-impaired | Lifetime<br>ECL-<br>credit-impaired |
| Balance on January 1, 2018            | \$ -         | -                                      | 2,828                               |
| Write-off                             | -            | -                                      | (2,807)                             |
| Effect of movements in exchange rates | -            | -                                      | (21)                                |
| Balance on December 31, 2018          | \$ -         | -                                      | -                                   |

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(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

|   | <u>Carrying<br/>amount</u> | <u>Contractua<br/>l cash flows</u> | <u>Within 6<br/>months</u> | <u>6-12<br/>months</u> | <u>1-2<br/>years</u> | <u>2-5<br/>years</u> | <u>Over<br/>5 years</u> |
|---|----------------------------|------------------------------------|----------------------------|------------------------|----------------------|----------------------|-------------------------|
| <b>December 31, 2019</b>                          |                            |                                    |                            |                        |                      |                      |                         |
| Non-derivative financial liabilities              |                            |                                    |                            |                        |                      |                      |                         |
| Secured loans (floating rate)                     | \$ 319,555                 | (323,599)                          | (2,886)                    | (320,713)              | -                    | -                    | -                       |
| Unsecured loans (floating rate)                   | 400,000                    | (400,534)                          | (400,534)                  | -                      | -                    | -                    | -                       |
| Accounts payable (no interest)                    | 385,101                    | (385,101)                          | (385,101)                  | -                      | -                    | -                    | -                       |
| Accounts payable—related parties<br>(no interest) | 96,640                     | (96,640)                           | (96,640)                   | -                      | -                    | -                    | -                       |
| Notes payable (no interest)                       | 307                        | (307)                              | (307)                      | -                      | -                    | -                    | -                       |
| Other payable (no interest)                       | 98,087                     | (98,087)                           | (98,087)                   | -                      | -                    | -                    | -                       |
| Other payable—related parties<br>(no interest)    | 7,471                      | (7,471)                            | (7,471)                    | -                      | -                    | -                    | -                       |
| Lease liabilities (fixed interest)                | 65,360                     | (100,921)                          | (2,012)                    | (2,012)                | (4,023)              | (12,070)             | (80,804)                |
| Guarantee deposits (no interest)                  | 34                         | (34)                               | -                          | -                      | (34)                 | -                    | -                       |
| Derivative financial liabilities                  |                            |                                    |                            |                        |                      |                      |                         |
| Swap contracts :                                  |                            |                                    |                            |                        |                      |                      |                         |
| Cash in   | 994                        | 89,940                             | 89,940                     | -                      | -                    | -                    | -                       |
| Cash out  |                            | (91,191)                           | (91,191)                   | -                      | -                    | -                    | -                       |
|   | <u>\$ 1,373,549</u>        | <u>(1,413,945)</u>                 | <u>(994,289)</u>           | <u>(322,725)</u>       | <u>(4,057)</u>       | <u>(12,070)</u>      | <u>(80,804)</u>         |
| <b>December 31, 2018</b>                          |                            |                                    |                            |                        |                      |                      |                         |
| Non-derivative financial liabilities              |                            |                                    |                            |                        |                      |                      |                         |
| Secured loans (floating rate)                     | \$ 398,888                 | (411,690)                          | (3,574)                    | (3,633)                | (404,483)            | -                    | -                       |
| Unsecured loans (floating rate)                   | 370,000                    | (370,473)                          | (370,473)                  | -                      | -                    | -                    | -                       |
| Accounts payable (no interest)                    | 402,381                    | (402,381)                          | (402,381)                  | -                      | -                    | -                    | -                       |
| Accounts payable—related parties<br>(no interest) | 105,463                    | (105,463)                          | (105,463)                  | -                      | -                    | -                    | -                       |
| Other payable (no interest)                       | 720                        | (720)                              | (720)                      | -                      | -                    | -                    | -                       |
| Other payable (no interest)                       | 78,292                     | (78,292)                           | (78,292)                   | -                      | -                    | -                    | -                       |
| Other payable—related parties<br>(no interest)    | 3,735                      | (3,735)                            | (3,735)                    | -                      | -                    | -                    | -                       |
| Guarantee deposits (no interest)                  | 34                         | (34)                               | -                          | (34)                   | -                    | -                    | -                       |
|   | <u>\$ 1,359,513</u>        | <u>(1,372,788)</u>                 | <u>(964,638)</u>           | <u>(3,667)</u>         | <u>(404,483)</u>     | <u>-</u>             | <u>-</u>                |

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

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(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

|                              | December 31, 2019   |                  |           | December 31, 2018   |                  |           |
|------------------------------|---------------------|------------------|-----------|---------------------|------------------|-----------|
|                              | Foreign<br>currency | Exchange<br>rate | TWD       | Foreign<br>currency | Exchange<br>rate | TWD       |
| <u>Financial assets</u>      |                     |                  |           |                     |                  |           |
| <u>Monetary items</u>        |                     |                  |           |                     |                  |           |
| USD                          | \$ 64,391           | 29.98            | 1,930,451 | 50,383              | 30.715           | 1,547,527 |
| JPY                          | 18,491              | 0.2760           | 5,104     | 34,512              | 0.2782           | 9,601     |
| CNY                          | 176                 | 4.305            | 757       | 790                 | 4.472            | 3,535     |
| EUR                          | 7                   | 33.59            | 225       | 23                  | 35.20            | 821       |
| <u>Non-Monetary items</u>    |                     |                  |           |                     |                  |           |
| USD                          | 3,802               | 29.98            | 113,978   | 3,553               | 30.715           | 109,121   |
| <u>Financial liabilities</u> |                     |                  |           |                     |                  |           |
| <u>Monetary items</u>        |                     |                  |           |                     |                  |           |
| USD                          | 11,055              | 29.98            | 331,418   | 11,022              | 30.715           | 338,532   |
| JPY                          | 40,745              | 0.2760           | 11,246    | 28,101              | 0.2782           | 7,818     |
| EUR                          | 11                  | 33.59            | 386       | 18                  | 35.20            | 633       |
| <u>Non-Monetary items</u>    |                     |                  |           |                     |                  |           |
| USD                          | 3,000               | 29.98            | 89,940    | -                   | -                | -         |

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of cash and cash equivalents, accounts receivable, other receivables, financial assets at fair value through profit or loss, accounts payable, and other payable. As of December 31, 2019 and 2018, if the exchange rate of the TWD versus the USD, CNY, JPY, and EUR have increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by \$11,981 and \$10,583, for the years ended December 31, 2019 and 2018, respectively. The analysis is performed on the same basis of prior year.

3) Exchange gains and losses of monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2019 and 2018, foreign exchanges gain (loss) (including realized and unrealized portions) amount to (\$33,768) and \$41,731, respectively.

(iv) Interest rate analysis

For the Company's financial liabilities exposed to interest rate risk, please refer to the attached note about liquidity risk.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the

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interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If interest rates had increased or decreased by 1% basis points, with all other variables held constant, the Company's profit after tax for the years ended 2019 and 2018 would have been decreased or increased by \$78 and \$87, respectively. This is mainly as a result of liabilities bearing floating interest rates.

(v) Other prices risks

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

| Prices at reporting date | 2019                                 |                      | 2018                                 |                      |
|--------------------------|--------------------------------------|----------------------|--------------------------------------|----------------------|
|                          | Other comprehensive income after tax | Net income after Tax | Other comprehensive income after tax | Net income after Tax |
| Increase by 3%           | \$ 3,646                             | 1,296                | 5,567                                | 3,130                |
| Decrease by 3%           | \$ (3,646)                           | (1,296)              | (5,567)                              | (3,130)              |

(vi) Fair value

1) Fair value hierarchy

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, are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

|  | Carrying amount | December 31, 2019 |         |         | Total  |
|--|-----------------|-------------------|---------|---------|--------|
|  |                 | Level 1           | Level 2 | Level 3 |        |
| <b>Financial assets at fair value through profit or loss</b>             |                 |                   |         |         |        |
| Derivative financial assets  | \$ 76           | -                 | 76      | -       | 76     |
| Debt investment with quoted market price                                 | 54,018          | 54,018            | -       | -       | 54,018 |
| Subtotal   | 54,094          |                   |         |         |        |
| <b>Financial assets at fair value through other comprehensive income</b> |                 |                   |         |         |        |
| Equity instrument with quoted market prices                              | 87,914          | 87,914            | -       | -       | 87,914 |
| Equity instrument at fair value without quoted market prices             | 33,552          | -                 | -       | 33,552  | 33,552 |
| Subtotal   | 121,466         |                   |         |         |        |

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|  | December 31, 2019          |            |         |         |         |
|--|----------------------------|------------|---------|---------|---------|
|  | Carrying<br>amount         | Fair Value |         |         | Total   |
|  |                            | Level 1    | Level 2 | Level 3 |         |
| <b>Financial assets at amortized cost</b>                                |                            |            |         |         |         |
| Cash and cash equivalents  | 1,298,535                  | -          | -       | -       | -       |
| Accounts receivable (including related parties)                          | 610,862                    | -          | -       | -       | -       |
| Other receivable (including related parties)                             | 39,052                     | -          | -       | -       | -       |
| Restricted time deposits   | 1,543                      | -          | -       | -       | -       |
| Refundable deposits (recognized in other non-current financial assets)   | <u>2,866</u>               | -          | -       | -       | -       |
| Subtotal   | <u>1,952,858</u>           |            |         |         |         |
| <b>Total financial assets</b>  | <b><u>\$ 2,128,418</u></b> |            |         |         |         |
| <b>Financial liabilities at fair value through profit or less</b>        |                            |            |         |         |         |
| Derivative financial liabilities   | <u>\$ 994</u>              | -          | 994     | -       | 994     |
| <b>Financial liabilities at amortized cost</b>                           |                            |            |         |         |         |
| Bank loans   | 719,555                    | -          | -       | -       | -       |
| Notes payable  | 307                        | -          | -       | -       | -       |
| Accounts payable (including related parties)                             | 481,741                    | -          | -       | -       | -       |
| Other payable (including related parties)                                | 105,558                    | -          | -       | -       | -       |
| Lease liabilities  | 65,360                     | -          | -       | -       | -       |
| Guarantee deposits   | <u>34</u>                  | -          | -       | -       | -       |
| Subtotal   | <u>1,372,555</u>           |            |         |         |         |
| <b>Total financial liabilities</b>                                       | <b><u>\$ 1,373,549</u></b> |            |         |         |         |
| <b>December 31, 2018</b>   |                            |            |         |         |         |
|  | Carrying<br>amount         | Fair Value |         |         | Total   |
|  |                            | Level 1    | Level 2 | Level 3 |         |
| <b>Financial assets at fair value through profit or less</b>             |                            |            |         |         |         |
| Derivative financial assets  | <u>\$ 379</u>              | -          | 379     | -       | 379     |
| Debt investment with quoted market price                                 | <u>126,080</u>             | 126,080    | -       | -       | 126,080 |
| Subtotal   | <u>126,459</u>             |            |         |         |         |
| <b>Financial assets at fair value through other comprehensive income</b> |                            |            |         |         |         |
| Equity instrument with quoted market prices                              | 185,562                    | 185,562    | -       | -       | 185,562 |
| Equity instrument at fair value without quoted market prices             | <u>31,428</u>              | -          | -       | 31,428  | 31,428  |
| Subtotal   | <u>216,990</u>             |            |         |         |         |

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|  | December 31, 2018          |            |         |         |       |
|--|----------------------------|------------|---------|---------|-------|
|  | Carrying<br>amount         | Fair Value |         |         | Total |
|  |                            | Level 1    | Level 2 | Level 3 |       |
| <b>Financial assets at amortized cost</b>                              |                            |            |         |         |       |
| Cash and cash equivalents  | 968,003                    | -          | -       | -       | -     |
| Accounts receivable (including related parties)                        | 544,185                    | -          | -       | -       | -     |
| Other receivable (including related parties)                           | 60,363                     | -          | -       | -       | -     |
| Restricted time deposits   | 1,536                      | -          | -       | -       | -     |
| Refundable deposits (recognized in other non-current financial assets) | <u>2,866</u>               |            |         |         |       |
| Subtotal   | <u>1,576,953</u>           |            |         |         |       |
| <b>Total financial assets</b>  | <b><u>\$ 1,920,402</u></b> |            |         |         |       |
| <b>Financial liabilities at amortized cost</b>                         |                            |            |         |         |       |
| Bank loans   | \$ 768,888                 | -          | -       | -       | -     |
| Notes payable  | 720                        | -          | -       | -       | -     |
| Accounts payable (including related parties)                           | 507,844                    | -          | -       | -       | -     |
| Other payable (including related parties)                              | 82,027                     | -          | -       | -       | -     |
| Guarantee deposits   | <u>34</u>                  | -          | -       | -       | -     |
| <b>Total financial liabilities</b>                                     | <b><u>\$ 1,359,513</u></b> |            |         |         |       |

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are 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).

2) Valuation techniques for financial instruments not measured at fair value

A. Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the fair value will be estimated by valuation technique or the prices quoted by competitors.

B. Financial assets (debt investment without quoted market price) and financial liabilities measured at amortized cost

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If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) 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 Company's listed stocks, and open-end mutual funds with standard terms and conditions and traded in an active markets were determined by the quoted market prices

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date. 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.

4) Transfer between level 1 to level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2019 and 2018.

5) Movement of financial assets at fair value through other comprehensive income categorized as Level 3.

|  | <b>Financial assets at fair value<br/>through other comprehensive<br/>income</b> |               |
|--|--|---------------|
|  | <u>Unquoted equity instruments</u>   |               |
| <b>Balance on January 1, 2019</b>                | \$   | 31,428        |
| Reclassification from prepayment for investments |  | 2,700         |
| Other comprehensive income                       |  | (576)         |
| <b>Balance on December 31, 2019</b>              | <b>\$</b>  | <b>33,552</b> |
| <b>Balance on January 1, 2018</b>                | \$   | 35,000        |
| Effects of retrospective application of IRFS9    |  | (5,200)       |
| Balance on January 1, 2018 after adjustments     |  | 29,800        |
| Other comprehensive income                       |  | 1,628         |
| <b>Balance on December 31, 2018</b>              | <b>\$</b>  | <b>31,428</b> |

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

The Company's financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income— equity investments” .

The Company'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.

Quantified information of significant unobservable inputs for The Company's major equity investment without an active market—Chenfeng Optronics Corporation were as follows:

| <u>Item</u>  | <u>Valuation technique</u>  | <u>Significant unobservable inputs</u>  | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u>  |
|--|-----------------------------|---|---|
| Financial assets at fair value through other comprehensive income— equity investments without an active market | Discounted Cash Flow Method | <ul style="list-style-type: none"> <li>• Continuing growth rate (2.10% and 1.96%, respectively, as of December 31,2019 and 2018)</li> <li>• Weighted average cost of capital (9.47% and 11.82%, respectively, as of December 31,2019 and 2018)</li> <li>• Market illiquidity discount rate ( 37.21% and 38.36%, respectively, as of December 31,2019 and 2018)</li> <li>• Non-controlling interests discount rate of 29.87% for December 31, 2019 and 2018</li> </ul> | <ul style="list-style-type: none"> <li>• The higher the continuing growth rate is, the higher the estimated fair value would be.</li> <li>• The higher the Weighted average cost of capital is, the lower the estimated fair value would be.</li> <li>• The higher the market illiquidity discount rate is, the lower the estimated fair value would be.</li> <li>• The higher the non-controlling interests discount is, the lower the estimated fair value would be.</li> </ul> |

- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects in other comprehensive income:

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| <u>Inputs</u>                                     | <u>Fluctuation<br/>in inputs</u> | <u>Other comprehensive income</u> |                    |
|---|----------------------------------|-----------------------------------|--------------------|
|   |                                  | <u>Favorable</u>                  | <u>Unfavorable</u> |
| <u>December 31, 2019</u>                          |                                  |                                   |                    |
| Continuing growth rate<br>2.10%                   | 0.1%                             | \$ 270                            | 250                |
| Weighted average cost of<br>capital 9.47%         | 0.5%                             | 340                               | 320                |
| Market illiquidity<br>discount rate 37.21%        | 1%                               | 280                               | 280                |
| Non-controlling interests<br>discount rate 29.87% | 1%                               | 250                               | 250                |
| <u>December 31, 2018</u>                          |                                  |                                   |                    |
| Continuing growth rate<br>1.96%                   | 0.1%                             | 230                               | 220                |
| Weighted average cost of<br>capital 11.82%        | 0.5%                             | 1,630                             | 1,470              |
| Market illiquidity<br>discount rate 38.36%        | 1%                               | 320                               | 330                |
| Non-controlling interests<br>discount rate 29.87% | 1%                               | 290                               | 290                |

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(z) Financial risk management

(i) Overview

The Company have exposures to the following risks arising from financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the Company' s risk management framework. Every department is responsible for planning and controlling the risk management of the Company' s operation and reports to the Board of Directors regularly.

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The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The supervisor of the Company oversees how the management monitors the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The supervisor is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, bank deposits, derivative financial instruments, and investment securities.

1) Accounts receivable and other receivables

The credit risk is impacted by the individual situation of each client. The Company continuously monitors the information concerning client credit risk factors, such as the default risk of the industries and countries in which the customers operate.

According to the credit policy, the Company has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviews credit limits periodically and requires customers to pay in advance when the customers' credit ratings do not meet the benchmark.

2) Investment

The credit risk exposure in the bank deposits, derivative financial instruments, and other financial instruments is measured and monitored by the finance department. Since the Company's transactions were with financial institutions with good credit ratings, there were no noncompliance issues, and therefore, there is no significant credit risk. Investments in other financial instruments are measured and monitored by the finance department with the instruction from the chairman to ensure each risk of the investment target is under the Company's acceptable level.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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As of December 31, 2019 and 2018, the Company had unused credit lines amounting to \$1,592,106 and \$1,715,911, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Company engages in derivative financial instrument trading in order to manage the market risk, thus generating financial liabilities or financial assets. The execution of those transactions was under the Board of Directors' instruction.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the TWD. The currencies used in these transactions are the TWD, USD and JPY.

At any point in time, the Company's principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operations. The Company mainly hedges its currency risk using foreign exchange agreements wherein the maturity date is less than six months.

2) Interest rate risk

The Company adopts a policy to ensure the exposure to changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Company can manage its interest rate risk through maintaining an appropriate portfolio of floating interest rates and fixed interest rates.

3) Other market price risk

The company is exposed to equity price risk due to the investments in equity instruments and mutual funds that contain unsure future prices. Therefore, the Company monitors and manages the equity investments by holding a varied investment portfolio and regularly updating the information on equity instruments and mutual funds investment.

(aa) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company manages its capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity. As in 2019, the Company' s capital management strategy is consistent with the prior year. The Company' s debt-to-equity ratio at the end of the reporting period were as follows:

|                      | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|----------------------|------------------------------|------------------------------|
| Net debt             | <u>\$ 398,217</u>            | <u>637,251</u>               |
| Total equity         | <u>\$ 1,892,106</u>          | <u>1,742,230</u>             |
| Debt-to-equity ratio | 21.05%                       | 36.58%                       |

As of December 31, 2019, the debt-to-equity ratio reduced because revenue increased in 2019, causing the total equity to increase.

(ab) Financing activities not affecting current cash flow

The Company' s investing and financing activities which did not affect the current cash flow were as follows:

(i) Please refer to note 6(k) for right- of -use assets.

(ii) Reconciliation of liabilities arising from financing activities were as follows:

|   | <b>January 1,<br/>2019</b> | <b>Cash flows</b> | <b>Non-Cash changes<br/>Amortization</b> | <b>December 31,<br/>2019</b> |
|---|----------------------------|-------------------|--|------------------------------|
| Short-term borrowings   | \$ 370,000                 | 30,000            | -  | 400,000                      |
| Long-term borrowings (including long-term borrowings,<br>current portion) | 398,888                    | (80,000)          | 667                                      | 319,555                      |
| Lease liabilities   | 67,226                     | (1,866)           | -  | 65,360                       |
| Total liabilities from financing activities                               | <u>\$ 836,114</u>          | <u>(51,866)</u>   | <u>667</u>                               | <u>784,915</u>               |

  

|   | <b>January 1,<br/>2018</b> | <b>Cash flows</b> | <b>Non-Cash changes<br/>Amortization</b> | <b>December 31,<br/>2018</b> |
|---|----------------------------|-------------------|--|------------------------------|
| Short-term borrowings   | \$ 557,000                 | (187,000)         | -  | 370,000                      |
| Long-term borrowings (including long-term borrowings,<br>current portion) | 398,246                    | -                 | 642                                      | 398,888                      |
| Total liabilities from financing activities                               | <u>\$ 955,246</u>          | <u>(187,000)</u>  | <u>642</u>                               | <u>768,888</u>               |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The following are subsidiaries and other entities that have had transactions with the Company during the periods covered in the financial statements.

| <u>Name of related party</u>                                  | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| Emerging Display Technologies Corp., U.S.A.<br>(EDTA)         | Subsidiary                           |
| Emerging Display International (Samoa) Corp.<br>(EDTS)        | Subsidiary                           |
| EDT-Europe ApS<br>(EDTE)                                      | Subsidiary                           |
| Tremendous Explore Corp.<br>(EDT-B.V.I)                       | Subsidiary                           |
| Emerging Display Technologies Korea<br>(EDTK)                 | Subsidiary                           |
| EDT-Japan Corp.<br>(EDTJ)                                     | Subsidiary                           |
| Ying Dar Investment Development Corp.<br>(Ying Dar Corp.)     | Subsidiary                           |
| Bae Haw Investment Development Corp.<br>(Bae Haw Corp.)       | Subsidiary                           |
| Ying Cheng Investment Development Corp.<br>(Ying Cheng Corp.) | Subsidiary                           |
| Dong Guan Emerging Display Limited<br>(EDT-Dong Guan)         | Sub-subsidiary                       |

(b) Significant related party transactions

(i) Operating revenue

The amounts of significant sales transactions by the Company to related parties were as follows:

|                   |                     |                  |
|-------------------|---------------------|------------------|
|                   | <u>2019</u>         | <u>2018</u>      |
| Subsidiaries-EDTA | <u>\$ 1,133,461</u> | <u>1,082,325</u> |

As of December 31, 2019 and 2018, the unrealized profit from sales to related parties amounted to \$13,567 and \$9,687, respectively, which were included in adjustment to investments accounted for using equity method in the accompanying balance sheets.

The selling prices for sales to subsidiaries were not significantly different from those for third-party customers. The collection terms were three months, which were not significantly different from those of other customers.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) The receivables from related parties were as follows:

| <b>Relationship</b> | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---------------------|------------------------------|------------------------------|
| Subsidiaries-EDTA   | <u>\$ 289,755</u>            | <u>336,872</u>               |

(iii) Consigned for processing

The Company's sales of raw material (including the Company purchased on behalf of the related parties) and semi-finished products through EDT-B.V.I to EDT-Dong Guan were considered as contracted processing. The processing cost and material cost in 2019 and 2018 amounted to \$210,727 and \$280,704, respectively. The payables resulting from the above transactions were as follows, and were included in accounts payable-related parties in the accompanying balance sheets.

|                              | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|------------------------------|------------------------------|------------------------------|
| Subsidiaries-EDT-B.V.I       | \$ -                         | 105,463                      |
| Sub-subsidiary-EDT-Dong Guan | 96,640                       | -                            |
|                              | <u>\$ 96,640</u>             | <u>105,463</u>               |

(iv) Commission expense

The details of commission expense paid to subsidiaries were as follows:

|                    | <b>2019</b>      | <b>2018</b>   |
|--------------------|------------------|---------------|
| Subsidiaries       |                  |               |
| EDTE               | \$ 54,292        | 45,810        |
| EDTJ               | 13,683           | 13,707        |
| Other subsidiaries | 4,371            | 4,844         |
|                    | <u>\$ 72,346</u> | <u>64,361</u> |

The details of commission expense paid to subsidiaries, included in accounts payable-related parties in accompanying balance sheets, were as follows:

|              | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--------------|------------------------------|------------------------------|
| Subsidiaries |                              |                              |
| EDTE         | \$ 7,409                     | 3,428                        |
| EDTA         | 62                           | 307                          |
|              | <u>\$ 7,471</u>              | <u>3,735</u>                 |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

(v) Loans to related parties

The loans to related parties were as follows:

|                     | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---------------------|------------------------------|------------------------------|
| Subsidiaries – EDTA | <u><u>\$ 20,986</u></u>      | <u><u>44,537</u></u>         |

The interest is based on US dollars and floating rate. In 2019 and 2018, the interest rates ranged between 3.85%~4.79% and 4.67%~4.92%, with the interest revenue amounting to \$1,312 and \$1,609, respectively. The loans to related parties were unsecured. There are no expected credit losses required after the management's assessment. The interest receivables had been received by the Company as of December 31, 2019 and 2018.

(vi) Others

Ying Dar Corp., Bae Haw Corp., and Ying Cheng Corp. have used the Company's address as their office addresses since July 1, 2019. The Company received \$6 from each of them, with a total of \$18, which was included in other income in the accompanying statements of comprehensive income.

During the years ended December 31, 2019 and 2018, cash dividends paid to subsidiaries were \$4,397 and \$3,591, respectively. In addition, cash dividends received from subsidiaries were \$3,434 and \$4,981, respectively.

(c) Key management personnel compensation

Key management personnel compensation comprised:

|                              | <b>2019</b>             | <b>2018</b>          |
|------------------------------|-------------------------|----------------------|
| Short-term employee benefits | \$ 28,057               | 24,842               |
| Post-employment benefits     | 513                     | 505                  |
| Termination benefits         | -                       | -                    |
| Other long-term benefits     | -                       | -                    |
| Share-based payments         | -                       | -                    |
|                              | <u><u>\$ 28,570</u></u> | <u><u>25,347</u></u> |

In 2018, the Company provided five cars with carrying amount of \$13,053 for key management personnel use. The Company rented another car for their key management personnel to use before March, 2018. The rental car expense amounted to \$226 in 2018.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u>                      | <u>Purpose</u>                        | <u>December<br/>31, 2019</u> | <u>December<br/>31, 2018</u> |
|--|---------------------------------------|------------------------------|------------------------------|
| Restricted time deposits-current           | Guarantee for customs                 | \$ 1,543                     | 1,536                        |
| Property, plant and<br>equipment-buildings | Guarantee for long-term<br>borrowings | 225,474                      | 202,076                      |
|  |                                       | <u>\$ 227,017</u>            | <u>203,612</u>               |

**(9) Commitments and contingencies:**

- (a) As of December 31, 2019 and 2018, the Company's unused letters of credit for purchases of raw materials amounted to \$16,074 and \$4,150, respectively.
- (b) As of December 31, 2019 and 2018, the Company has signed contracts for the purchase of equipment. The unrecognized contingencies of those contracts amounted to \$590 and \$2,630, respectively.

**(10) Losses due to major disasters: none****(11) Subsequent events: none****(12) Other:**

The followings were the summary statement of current period employee benefits, depreciation and amortization expenses by function:

| By function                | 2019             |                       |         | 2018             |                       |         |
|----------------------------|------------------|-----------------------|---------|------------------|-----------------------|---------|
|                            | Cost of<br>sales | Operating<br>expenses | Total   | Cost of<br>sales | Operating<br>expenses | Total   |
| <b>By item</b>             |                  |                       |         |                  |                       |         |
| Employee benefits          |                  |                       |         |                  |                       |         |
| Salary                     | 375,273          | 114,236               | 489,509 | 338,830          | 106,806               | 445,636 |
| Labor and health insurance | 40,878           | 7,688                 | 48,566  | 36,927           | 6,638                 | 43,565  |
| Pension                    | 19,706           | 5,616                 | 25,322  | 18,596           | 5,295                 | 23,891  |
| Remuneration of directors  | -                | 11,425                | 11,425  | -                | 7,086                 | 7,086   |
| Others                     | 4,039            | 677                   | 4,716   | 2,617            | 462                   | 3,079   |
| Depreciation               | 64,697           | 3,975                 | 68,672  | 59,860           | 3,036                 | 62,896  |
| Amortization               | 562              | 458                   | 1,020   | 792              | 2,262                 | 3,054   |

The additional information of number of employees and employee benefits in the year of 2019 and 2018 was as follows:

|                                       | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-------------|-------------|
| Number of employees                   | 855         | 849         |
| Number of non- employee directors     | 6           | 6           |
| Average employee benefits             | 669         | 612         |
| Average employee salary               | 577         | 529         |
| Adjustment of average employee salary | 9.1%        |             |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for 2019:

## (i) Loans to other parties:

| Number | Name of lender | Name of borrower                            | Account name                     | Related party | Highest balance of financing to other parties during the period (Note 1) | Ending balance (Note 1)  | Actual usage amount during the period (Note 1) | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Loss allowance | Collateral |       | Individual funding loan limits | Maximum limit of fund financing | Note |
|--------|----------------|---|----------------------------------|---------------|--|--------------------------|--|---|---|---|----------------------------------|----------------|------------|-------|--------------------------------|---------------------------------|------|
|        |                |   |                                  |               |  |                          |  |   |   |   |                                  |                | Item       | Value |                                |                                 |      |
| 0      | The Company    | Emerging Display Technologies Corp., U.S.A. | Other receivable-related parties | YES           | 43,471<br>(USD1,450,000)   | 43,471<br>(USD1,450,000) | 20,986<br>(USD700,000)                         | 3.85%~4.79%                               | The need for short-term financing           | -   | The need for working capital     | -              | -          | -     | 189,211<br>(Note 2)            | 756,842<br>(Note 2)             |      |

Note 1: The amounts denominated in foreign currencies were translated using the rate of exchange at December 31, 2019.

Note 2: The allowable amount of financing provided to individual company cannot exceed 10% of the net worth of the Company. The total allowable amount of financing provided to others cannot exceed 40% of the net worth of the Company.

## (ii) Guarantees and endorsements for other parties: none

(Continued)



**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

| Name of security holder               | Name of security and type                              | Relationship between issuer of security and the security holder | Financial statement account  | December 31, 2019 |                |                         | Fair value | Remarks |
|---------------------------------------|--|---|--|-------------------|----------------|-------------------------|------------|---------|
|                                       |  |   |  | Units (shares)    | Carrying value | Percentage of ownership |            |         |
| The Company                           | Ascendax Venture Capital Corp. stock                   | -   | Financial assets at fair value through other comprehensive income-noncurrent | 1,470,000         | 15,832         | 5.25%                   | 15,832     | -       |
| The Company                           | Chenfeng Optronics Corp. stock                         | -   | Financial assets at fair value through other comprehensive income-noncurrent | 1,000,000         | 17,720         | 1.64%                   | 17,720     | -       |
| The Company                           | Fubon Financial Holding Co., Ltd. preference stock     | -   | Financial assets at fair value through other comprehensive income-noncurrent | 13,845            | 890            | -                       | 890        | -       |
| The Company                           | Innolux Corp. stock                                    | -   | Financial assets at fair value through other comprehensive income-current    | 1,147,089         | 9,555          | 0.01%                   | 9,555      | -       |
| The Company                           | Fubon Financial Holding Co., Ltd. stock                | -   | Financial assets at fair value through other comprehensive income-current    | 300,000           | 13,920         | -                       | 13,920     | -       |
| The Company                           | Synnex Technology International Co., Ltd. stock        | -   | Financial assets at fair value through other comprehensive income-current    | 458,000           | 17,175         | 0.03%                   | 17,175     | -       |
| The Company                           | Nan Ya Plastics Corporation stock                      | -   | Financial assets at fair value through other comprehensive income-current    | 210,000           | 15,288         | -                       | 15,288     | -       |
| The Company                           | Pegatron Co., Ltd. stock                               | -   | Financial assets at fair value through other comprehensive income-current    | 216,000           | 14,775         | 0.01%                   | 14,775     | -       |
| The Company                           | Coasia Electronics Corp. stock (Note 1)                | -   | Financial assets at fair value through other comprehensive income-current    | 441,508           | 5,055          | 0.32%                   | 5,055      | -       |
| The Company                           | Shian Yih Electronic Co., Ltd. stock                   | -   | Financial assets at fair value through other comprehensive income-current    | 480,000           | 11,256         | 0.78%                   | 11,256     | -       |
| The Company                           | Edmond de Rothschild Fund – Europe Convertibles(A)-USD | -   | Financial assets at fair value through profit or loss-current                | 8,468.12          | 23,636         | -                       | 23,636     | -       |
| The Company                           | JPMorgan Multiple Income Fund (USD)                    | -   | Financial assets at fair value through profit or loss-current                | 5,083.88          | 30,382         | -                       | 30,382     | -       |
| Ying Dar Investment Development Corp. | Shian Yih Electronic Co., Ltd. stock                   | -   | Financial assets at fair value through other comprehensive income-current    | 550,000           | 12,897         | 0.90%                   | 12,897     | -       |
| Ying Dar Investment Development Corp. | AGV Products Corporation stock                         | -   | Financial assets at fair value through other comprehensive income-current    | 101,500           | 722            | 0.02%                   | 722        | -       |
| Ying Dar Investment Development Corp. | The Company's stock                                    | Parent Company  | Financial assets at fair value through other comprehensive income-noncurrent | 5,346,672         | 94,101         | 3.29%                   | 94,101     | -       |
| Bae Haw Investment Development Corp.  | Everest Technology Inc.                                | -   | Financial assets at fair value through other comprehensive income-current    | 1,000,000         | -              | 1.47%                   | -          | -       |
| Bae Haw Investment Development Corp.  | Shian Yih Electronic Co., Ltd. stock                   | -   | Financial assets at fair value through other comprehensive income-current    | 380,000           | 8,911          | 0.62%                   | 8,911      | -       |
| Bae Haw Investment Development Corp.  | The Company's stock                                    | Parent Company  | Financial assets at fair value through other comprehensive income-noncurrent | 3,447,716         | 60,680         | 2.12%                   | 60,680     | -       |
| Ying Cheng Investment Corp.           | Chenfeng Optronics Corp. stock                         | -   | Financial assets at fair value through other comprehensive income-noncurrent | 6,000,000         | 106,320        | 9.83%                   | 106,320    | -       |

Note1: Coasia Microelectronics Corp. was renamed as Coasia Electronics Corp. on July 19, 2019.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: none
- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: none
- (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: none

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

(vii) Related-parties transactions for purchases to and sales from exceeding the lower of \$100 million or 20% of the capital stock:

| Purchasing (selling) company                | Related party                               | Nature of Relation-ship                                     | Details of transaction     |           |                                     |             | Circumstances of and reasons for deviation from regular trading conditions  |  | Resulting receivables (payables) |   | Remarks |
|---|---|---|----------------------------|-----------|-------------------------------------|-------------|---|--|----------------------------------|---|---------|
|   |   |   | Purchase (sale)            | Amount    | Percentage of net Purchases (sales) | Credit line | Unit price  | Payment terms  | Balance                          | Percentage of notes and accounts receivable (payable) |         |
| The Company                                 | Emerging Display Technologies Corp., U.S.A. | Subsidiary of the Company                                   | Sale                       | 1,133,461 | 28.40%                              | 3 months    | Sales prices offered to Emerging Display Technologies Corp., U.S.A. were not significantly different from those offered to other customers. | Considering the special trading practices in North American market, the Company set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets. | 289,755                          | 42.88%  | -       |
| The Company                                 | Tremendous Explore Corp.                    | Subsidiary of the Company                                   | Purchase (processing cost) | 107,322   | 13.14%                              | 1-3 months  | The Company is the only entity that Tremendous Explore Corp. provides processing service to. There is no comparable transaction.            | The Company is the only entity the subsidiary provides processing service to.  | -                                | -   | -       |
| The Company                                 | Dong Guan Emerging Display Limited          | Sub-subsidiary of the Company                               | Purchase (processing cost) | 106,865   | 43.73%                              | 1-3 months  | The Company is the only entity that Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.  | The Company is the only entity the sub-subsidiary provides processing service to.  | (96,640)                         | 20.06%  | -       |
| Emerging Display Technologies Corp., U.S.A. | The Company                                 | Subsidiary of the Company                                   | Purchase                   | 1,133,461 | 100%                                | 3 months    | The Company is the major supplier for Emerging Display Technologies Corp., U.S.A. There is no comparable transaction.                       | The Company is the major supplier for Emerging Display Technologies Corp., U.S.A.  | 28,975                           | 100.00%   | -       |
| Tremendous Explore Corp.                    | The Company                                 | Subsidiary of the Company                                   | Sale (processing revenue)  | 107,322   | 100%                                | 1-3 months  | The Company is the only entity the subsidiary provides processing service to. There is no comparable transaction.                           | The Company is the only entity the subsidiary provides processing service to.  | -                                | -   | -       |
| Dong Guan Emerging Display Limited          | The Company                                 | Sub-subsidiary of the Company                               | Sale (processing revenue)  | 106,865   | 50.71%                              | 1-3 months  | The Company is the only entity the sub-subsidiary provides processing service to. There is no comparable transaction.                       | The Company is the only entity the sub-subsidiary provides processing service to.  | 96,640                           | 100.00%   | -       |
| Tremendous Explore Corp.                    | Dong Guan Emerging Display Limited          | Subsidiary and sub- subsidiary of the Company, respectively | Purchase (processing cost) | 103,862   | 100%                                | 1-3 months  | The subsidiary is the only entity the sub- subsidiary provides processing service to. There is no comparable transaction.                   | The subsidiary is the only entity the sub- subsidiary provides processing service to.  | -                                | -   | -       |
| Dong Guan Emerging Display Limited          | Tremendous Explore Corp.                    | Subsidiary and sub- subsidiary of the Company, respectively | Sale (processing revenue)  | 103,862   | 49.29%                              | 1-3 months  | The subsidiary is the only entity the sub- subsidiary provides processing service to. There is no comparable transaction.                   | The subsidiary is the only entity the sub- subsidiary provides processing service to.  | -                                | -   | -       |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

| Name of company that has the receivables | Counterparty                                | Relationship              | Balance of amount                | Turnover ratio | Overdue |        | Amount collected in the subsequent period | Allowance for doubtful accounts | Remarks |
|--|---|---------------------------|----------------------------------|----------------|---------|--------|---|---------------------------------|---------|
|  |   |                           |                                  |                | Amount  | Status |   |                                 |         |
| The Company                              | Emerging Display Technologies Corp., U.S.A. | Subsidiary of the Company | Accounts receivable of \$289,755 | 3.62           | -       | -      | 175,199                                   | -                               | -       |
|  |   |                           | Other receivable of \$20,986     | -              | -       | -      | 20,986                                    | -                               | -       |

(ix) Trading in derivative instruments:

Please refer to note 6(b).

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

| Name of investor                      | Name of investee                             | Location | Business scope                        | Original cost of investment |                   | Balance as of December 31, 2019 |                  |                    | Net income (loss) of the investee | Investment income (loss) recognized | Remarks    |
|---------------------------------------|--|----------|---------------------------------------|-----------------------------|-------------------|---------------------------------|------------------|--------------------|-----------------------------------|-------------------------------------|------------|
|                                       |  |          |                                       | December 31, 2019           | December 31, 2018 | Shares owned                    | Percentage owned | Carrying value     |                                   |                                     |            |
| The Company                           | Emerging Display Technologies Corp., U.S.A.  | USA      | Trading                               | 121,656                     | 121,656           | 3,500,000                       | 100.00%          | 75,694<br>(Note 1) | 7,578                             | 7,618                               | Subsidiary |
| The Company                           | Emerging Display International (Samoa) Corp. | Samoa    | Investment holding                    | 180,503                     | 180,503           | 5,984,071                       | 78.49%           | 85,927             | (5,447)                           | (4,275)                             | Subsidiary |
| The Company                           | EDT-Europe ApS                               | Denmark  | Customer service and business support | 2,077                       | 2,077             | 125,000                         | 100.00%          | 2,091              | 254                               | 254                                 | Subsidiary |
| The Company                           | Tremendous Explore Corp.                     | BVI      | Trading                               | -                           | -                 | 50,000                          | 100.00%          | 260                | 9,668                             | 9,668                               | Subsidiary |
| The Company                           | Emerging Display Technologies Korea          | Korea    | Customer service and business support | 1,677                       | 1,677             | 58,212,500                      | 100.00%          | 1,202              | 39                                | 39                                  | Subsidiary |
| The Company                           | EDT-Japan Corp.                              | Japan    | Customer service and business support | 17,401                      | 17,401            | 5,000                           | 100.00%          | 4,469              | 427                               | 427                                 | Subsidiary |
| The Company                           | Ying Dar Investment Development Corp.        | Taiwan   | Investment                            | 89,000                      | 89,000            | 8,900,000                       | 100.00%          | 22,205             | 3,340                             | 667<br>(Note 2)                     | Subsidiary |
| The Company                           | Bae Haw Investment Development Corp.         | Taiwan   | Investment                            | 89,000                      | 89,000            | 8,900,000                       | 100.00%          | 35,903             | 1,798                             | 74<br>(Note 2)                      | Subsidiary |
| The Company                           | Ying Cheng Investment Corp.                  | Taiwan   | Investment                            | 84,000                      | 84,000            | 8,400,000                       | 52.50%           | 61,095             | (104)                             | (55)                                | Subsidiary |
| Ying Dar Investment Development Corp. | Emerging Display International (Samoa) Corp. | Samoa    | Investment holding                    | 13,234                      | 13,234            | 450,000                         | 5.90%            | 6,459              | (5,447)                           | (321)                               | Subsidiary |
| Bae Haw Investment Development Corp.  | Emerging Display International (Samoa) Corp. | Samoa    | Investment holding                    | 25,488                      | 25,488            | 870,000                         | 11.41%           | 12,491             | (5,447)                           | (622)                               | Subsidiary |

Note 1 : Unrealized sales profit amounting to \$13,567 was deducted.

Note 2 : Cash dividends to subsidiaries, which were reclassified as capital surplus, were deducted.

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

(c) Information on investment in mainland China:

(i) Information on investment in Mainland China:

| Investee company                   | Main businesses and products | Received capital            | Investment method  | Accumulated amount invested in Mainland China as of January 1, 2019 | Invested capital remitted from or repatriated to Taiwan |              | Accumulated amount invested in Mainland China as of December 31, 2019 | Net income of investee | The Company's direct or indirect investment ratio | Investment gain (loss) recognized by the Company | Book value of the investment as of December 31, 2019 | Accumulated investment income repatriated to Taiwan as of December 31, 2019 |
|------------------------------------|------------------------------|-----------------------------|--|---|---|--------------|---|------------------------|---|--|--|---|
|                                    |                              |                             |  |   | Remittance  | Repatriation |   |                        |   |  |  |   |
| Dong Guan Emerging Display Limited | Manufacturing of LCDs        | 248,516<br>(USD\$7,625,300) | Investing through a third country by establishing a holding company, Emerging Display International (Samoa) Corp., in a third country. | 219,225<br>(USD\$6,746,936)<br>(Note 1)                             | -   | -            | 219,225<br>(USD\$6,746,936)   | (5,425)                | 95.80%<br>(Note 2)                                | (5,197)  | 95,806<br>(Note 4)                                   | -   |

(Continued)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2019 | Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs | Upper Limit on investment in Mainland China by Investment Commission of Ministry of Economic Affairs |
|--|--|--|
| 207,901 (Note 8)<br>(USD\$6,934,668)<br>(Note 5)                 | 418,273 (Note 8)<br>(USD\$13,951,732)<br>(Note 6)                                      | 1,262,998<br>(Note 7)  |

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

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

Note 3 : The amount includes a loss of \$320 which was recognized by Ying Dar Investment Development Corp. and a loss of \$619 which was recognized by Bae Haw Investment Development Corp..

Note 4 : The amount includes \$5,900 which was invested by Ying Dar Investment Development Corp. and \$11,411 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' 1 Trading (Shanghai) Co., Ltd. not remitted back after it had completed liquidation in 2009.

Note 6 : The approved amount includes US\$637,732 obtained from Ying Dar Investment Development Corp. and US\$870,000 obtained from Bae Haw Investment Development Corp. The amount obtained from Ying Dar Investment Development Corp. includes the remaining capital amounting to US\$187,732 of Emerging Technologies Int' 1 Trading (Shanghai) Co., Ltd. not remitted back after it had completed liquidation in 2009.

Note 7 : The amount includes \$69,784 for Ying Dar Investment Development Corp. and \$57,950 for Bae Haw Investment Development Corp.

Note 8 : Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2019.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions" .

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2019.