

(English Translation of Financial Report Originally Issued in Chinese)
EMERGING DISPLAY TECHNOLOGIES CORP. AND
SUBSIDIARIES
Consolidated Financial Statements
For the nine months ended September 30, 2016 and 2015
(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

The Board of Directors
Emerging Display Technologies Corp.

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and nine months ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

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

The above subsidiaries' quarterly financial statements of the Company included EDT-Europe ApS, Emerging Display Technologies Korea, EDT-Japan Corp., Emerging Display international (Samoa) Corp., Tremendous Explore Corp., Ying Dar Investment Development Corp., Bae Haw Investment Development Corp. and Ying Cheng Investment Corp. which were based on these investees' un-reviewed financial statements for the same reporting periods. Total assets of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$274,240 thousand and \$296,677 thousand, representing 7.58% and 8.18% of the Company's consolidated total assets as of September 30, 2016 and 2015. Total liabilities of these subsidiaries (after eliminating internal transactions between affiliated companies) were \$65,245 thousand and \$107,767 thousand, representing 4.14% and 7.63% of the Company's consolidated total liabilities as of September 30, 2016 and 2015. The comprehensive income and loss of these subsidiaries (after eliminating after-tax effects resulting from internal transactions between affiliated companies) were income \$5,246 thousand, income 9,376 thousand, and income \$19,423 thousand, income \$3,471 thousand representing 11.30%, 12.68% and 14.82%, 2.23% of the Company's consolidated comprehensive income for the three months and nine months ended September 30, 2016 and 2015.

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

KPMG
CPA: Potree Yang and David Chen
Kaohsiung, Taiwan, R.O.C.
Nov. 3, 2016

Note to Reader

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards approved by the R.O.C. Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Balance Sheet

(Expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

ASSET	2016.9.30		2015.12.31		2015.9.30		LIABILITIES AND EQUITY	2016.9.30		2015.12.31		2015.9.30	
	Reviewed		Audited		Reviewed			Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSET :							CURRENT LIABILITY :						
Cash and cash equivalent (Note 6(a))	\$ 866,474	25	963,257	26	742,300	21	Short-term loans (Notes 6(m) and 8)	\$ 932,314	26	599,286	16	336,366	10
Financial assets at fair value through profit or loss-current (Note 6(b))	211	-	50,130	1	69,246	2	Financial liability at fair value through profit and loss (Note 6(b))	2,416	-	-	-	-	-
Available-for-sale financial assets—current (Note 6(c))	550,208	15	614,734	16	580,340	16	Notes payable	2,414	-	3,193	-	4,871	-
Bond investments without active market-current (Notes 6(d) and 8)	283,246	8	1,014	-	1,006	-	Accounts payable	326,533	9	365,174	10	403,429	11
Accounts receivable, net (Note 6(f))	456,282	13	454,735	12	545,989	15	Other payables	197,424	6	271,943	7	259,189	7
Other receivables (Note 6(f))	21,968	1	18,082	1	20,724	1	Current tax liabilities	4,569	-	1,463	-	1,509	-
Current tax assets	3,303	-	2,601	-	2,584	-	Long-term loans, current portion (Note 6(n) and 8)	-	-	72,800	2	72,800	2
Inventories (Note 6(g))	714,704	20	830,814	22	814,068	22	Other current liabilities	26,006	1	25,135	1	26,757	1
Other current assets (Note 6(l))	17,320	-	33,410	1	34,150	1	Total current liabilities	1,491,676	42	1,338,994	36	1,104,921	31
Total current Asset	<u>2,913,716</u>	<u>82</u>	<u>2,968,777</u>	<u>79</u>	<u>2,810,407</u>	<u>78</u>	NONCURRENT LIABILITIES :						
NONCURRENT ASSET :							Long-term loans (Notes 6(n) and 8)	-	-	218,400	6	218,400	6
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	5	185,000	5	185,000	5	Deferred tax liabilities	2,539	-	2,539	-	3,314	-
Property, plant and equipment (Notes 6(i) and 8)	471,311	13	537,810	14	559,887	16	Net Defined Benefit liabilities-noncurrent	83,033	2	84,771	2	85,690	2
Investment Property (Notes 6(j) and 8)	17,137	-	17,407	1	17,498	-	Other non-current liabilities, others	160	-	160	-	160	-
Intangible assets (Note 6(k))	3,205	-	3,525	-	3,701	-	Total liabilities	85,732	2	305,870	8	307,564	8
Deferred tax assets	15,752	-	38,751	1	39,338	1	EQUITY ATTRIBUTABLE TO SHAREHOLDERS	1,577,408	44	1,644,864	44	1,412,485	39
Prepayments on purchase of equipment	-	-	-	-	1,015	-	OF THE PARENT (Note 6 (r)) :						
Other non-current financial assets (Notes 6(d) and 6(f))	9,989	-	9,663	-	9,818	-	Capital stock	2,009,076	56	2,149,076	57	2,211,076	61
Total noncurrent assets	702,394	18	792,156	21	816,257	22	Capital surplus	33,903	1	27,955	1	13,836	-
							Accumulated deficit	285,765	8	216,937	6	154,201	4
							Other equity interest	(97,434)	(3)	(99,001)	(3)	(84,881)	(2)
							Treasury shares	(273,208)	(8)	(259,140)	(7)	(160,526)	(4)
							Total equity attributable to shareholders of parent	1,958,102	54	2,035,827	54	2,133,706	59
							Non-controlling interests (Notes 6(h))	80,600	2	80,242	2	80,473	2
							Total equity	2,038,702	56	2,116,069	56	2,214,179	61
TOTAL	\$ 3,616,110	100	3,760,933	100	3,626,664	100	TOTAL	\$ 3,616,110	100	3,760,933	100	3,626,664	100

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

	For the three months ended September 30				For the nine months ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Notes 6(t))	\$ 782,064	100	888,001	100	2,492,820	100	2,692,027	100
Operating cost (Notes 6(g), (p), (u) and (l))	608,349	78	722,987	81	1,983,109	80	2,170,647	81
Gross profit	173,715	22	165,014	19	509,711	20	521,380	19
Operating expenses (Note 6(p), (u) and (l)):								
Selling expenses	48,350	6	61,120	7	150,823	6	162,994	6
General and administrative expenses	34,692	4	39,327	4	107,346	4	113,078	4
Research and development expenses	24,203	3	28,125	3	73,226	3	75,006	3
	107,245	13	128,572	14	331,395	13	351,078	13
Net other income (Note 6(v))	274	-	273	-	821	-	820	-
Operating profit	66,744	9	36,715	5	179,137	7	171,122	6
Non-operating income and expenses (Note 6(w)):								
Other income	12,002	2	14,756	1	19,216	1	17,866	1
Other gains and losses, net	(27,994)	(4)	77,175	8	(29,929)	(1)	76,095	3
Finance costs	(3,572)	-	(4,054)	-	(9,420)	-	(12,722)	-
	(19,564)	(2)	87,877	9	(20,133)	-	81,239	4
Profit before tax	47,180	7	124,592	14	159,004	7	252,361	10
Total tax expense (Note 6(q))	11,209	1	20,936	2	29,691	1	47,829	2
Net Profit	35,971	6	103,656	12	129,313	6	204,532	8
Other comprehensive income :								
Items that will be reclassified into profit or loss:								
Foreign currency translation difference	(6,193)	(1)	9,770	1	(9,786)	-	4,898	-
Unrealized gain (loss) on available-for-sale financial assets (Note 6(x))	18,041	2	(39,496)	(4)	11,061	-	(53,436)	(2)
Less: Income tax related to items that will be reclassified subsequently (Note 6(q))	1,392	-	-	-	(437)	-	-	-
Other comprehensive income, net	10,456	1	(29,726)	(3)	1,712	-	(48,538)	(2)
Comprehensive income	\$ 46,427	7	73,930	9	131,025	6	155,994	6
Profit (loss) attributable to								
Shareholders of parent	\$ 35,977	6	103,065	12	129,100	6	204,035	8
Non-controlling interests	(6)	-	591	-	213	-	497	-
Net Profit	\$ 35,971	6	103,656	12	129,313	6	204,532	8
Comprehensive income attributable to								
Shareholders of parent	\$ 46,372	7	73,442	9	130,667	6	156,046	6
Non-controlling interests	55	-	488	-	358	-	(52)	-
Total Comprehensive income	\$ 46,427	7	73,930	9	131,025	6	155,994	6
Earnings per share (Note 6(s))(expressed in New Taiwan Dollars):								
Basic earnings per share	\$ 0.20		0.48		0.70		0.94	
Diluted earnings per share	\$ 0.20		0.47		0.70		0.94	

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

	Equity attributable to shareholders of parent										
	Common stock	Capital surplus	Retained earnings			Other equity interest		Treasury stock	Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
			Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign currency translation difference	Unrealized gain/loss on available for sale financial asset				
Balance as of January 1, 2015	\$ 2,261,076	6,294	-	-	(56,128)	8,133	(45,025)	(122,282)	2,052,068	80,525	2,132,593
Net profit for the nine months ended September 30, 2015	-	-	-	-	204,035	-	-	-	204,035	497	204,532
Other comprehensive income(loss) for the nine months ended September 30, net of income tax	-	-	-	-	-	4,838	(52,827)	-	(47,989)	(549)	(48,538)
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	204,035	4,838	(52,827)	-	156,046	(52)	155,994
Capital surplus to offset company losses	-	(6,294)	-	-	6,294	-	-	-	-	-	-
Repurchase of treasury stock	-	-	-	-	-	-	-	(74,408)	(74,408)	-	(74,408)
Cancellation of treasury stock	(50,000)	13,836	-	-	-	-	-	36,164	-	-	-
Balance as of September 30, 2015	\$ 2,211,076	13,836	-	-	154,201	12,971	(97,852)	(160,526)	2,133,706	80,473	2,214,179
Balance as of January 1, 2016	\$ 2,149,076	27,955	-	-	216,937	9,532	(108,533)	(259,140)	2,035,827	80,242	2,116,069
Net profit for the nine months ended September 30, 2016	-	-	-	-	129,100	-	-	-	129,100	213	129,313
Other comprehensive income(loss) for the nine months ended September 30, net of income tax	-	-	-	-	-	(9,490)	11,057	-	1,567	145	1,712
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	129,100	(9,490)	11,057	-	130,667	358	131,025
Appropriation of the 2016 earnings:											
Legal capital reserve	-	-	21,614	-	(21,614)	-	-	-	-	-	-
Special capital reserve	-	-	-	96,448	(96,448)	-	-	-	-	-	-
Dividends	-	-	-	-	(60,272)	-	-	-	(60,272)	-	(60,272)
Repurchase of treasury stock	-	-	-	-	-	-	-	(150,926)	(150,926)	-	(150,926)
Cancellation of treasury stock	(140,000)	3,142	-	-	-	-	-	136,858	-	-	-
Cash dividends to subsidiaries	-	2,806	-	-	-	-	-	-	2,806	-	2,806
Balance as of September 30, 2016	\$ 2,009,076	33,903	21,614	96,448	167,703	42	(97,476)	(273,208)	1,958,102	80,600	2,038,702

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
(Expressed in thousands of New Taiwan Dollars)
(Reviewed, not audited)

	For the nine months ended September 30	
	2016	2015
Cash flows from operating activities:		
Profit before tax	\$ 159,004	252,361
Adjustments :		
Income and expenses having no effect on cash flows:		
Depreciation expense	84,066	98,536
Amortization expense	722	689
Reversal for bad debt expense	(95)	(1,061)
Net gain on financial assets or liabilities at fair value through profit or loss	4,838	(11,675)
Interest expense	9,420	12,722
Interest income	(2,125)	(4,106)
Dividend income	(8,357)	(13,481)
Loss on disposal of property, plant and equipment	(367)	(844)
Gain on disposal of investments	(8,063)	(20,197)
Unrealized foreign exchange loss (gain)	26,253	(28,963)
Total adjustments to reconcile profit (loss)	106,292	31,620
Changes in operating assets and liabilities		
Net changes in operating assets:		
Accounts receivable	(12,919)	(95,119)
Other receivable	(1,580)	(2,716)
Inventories	110,142	32,378
Other current assets	14,102	(8,546)
Total net changes in operating assets	109,745	(74,003)
Net changes in operating liabilities:		
Notes payable	(779)	1,047
Accounts payable	(32,874)	(8,584)
Other payables	(63,830)	21,697
Other current liabilities	(28)	4,174
Net defined benefit liability	(1,738)	(1,472)
Other operating liabilities	-	(11)
Total net changes in operating liabilities	(99,249)	16,851
Total net changes in operating asset and liabilities	10,496	(57,152)
Total adjustments	116,788	(25,532)
Cash generated from operating activities	275,792	226,829
Interest received	1,945	4,143
Dividends received	9,032	11,581
Interest paid	(7,998)	(11,794)
Income taxes paid	(3,933)	(7,104)
Net cash flows from operating activities	274,838	223,655
Income and expenses having no effect on cash flows:		
Cash flows from investing activities:		
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	(16,187)	(57,130)
Proceeds of financial assets designated upon initial recognition as at fair value through profit or loss	63,684	61,201
Acquisition of available-for-sale financial assets	(32,464)	(478,968)
Proceeds from disposal of available-for-sale financial assets	116,114	355,992
Acquisition of Debt Investments Without Active Market	(290,842)	(2)
Acquisition of property, plant and equipment	(19,371)	(29,991)
Proceeds of property, plant and equipment	367	1,152
Acquisition of intangible assets	(402)	(1,434)
Increase in other financial assets	(491)	259
Increase in prepayments on purchase of equipment	-	(7,320)
Net cash flows used in investing activities	(179,592)	(156,241)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	333,028	305,735
Repayments of long-term loans	(291,200)	(345,800)
Cash dividends	(60,263)	-
Treasury stock acquired	(162,026)	(73,762)
Net cash provided by (used in) financing activities	(180,461)	(113,827)
Effects of changes in foreign exchange rates	(11,568)	21,650
Net increase in cash and cash equivalents	(96,783)	(24,763)
Cash and cash equivalents at beginning of year	963,257	767,063
Cash and cash equivalents at end of year	<u>\$ 866,474</u>	<u>742,300</u>

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

For the nine months ended September 30, 2016 and 2015

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

(Reviewed, not audited)

1. Organization and Business Scope

Emerging Display Technologies Corp. (the Company) 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 Consolidated financial statements of Emerging Display Technologies Corp. as of and for the nine months ended September 30, 2016 and 2015 comprise Emerging Display Technologies Corp. and its subsidiaries (the Group). The Group is engaged in the manufacture and sale of Capacity Touch Panel and liquid crystal displays (LCDs).

2. Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on November 3, 2016.

3. Application of New and revised Standards and its Interpretations

(1) The IFRSs in issue and endorsed by Financial Supervisory Commission(FSC) with effective date starting 2017

On July 18, 2016, according to Rule No. 1050026834 issued by the FSC, the following IFRSs endorsed by the FSC should be adopted by the Company starting 2017.(not including IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” which are not effective or the effective date is uncertain.)

The new, revised or amended Standards and Interpretations are as follows,

<u>New, revised or amended standards and amendments</u>	<u>Effective date per IASB</u>
Amendments to IFRS10, IFRS12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IFRS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statement”	January 1, 2016
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014

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

<u>New, revised or amended standards and amendments</u>	<u>Effective date per IASB</u>
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvement to 2010-2012 and 2011-2013 Cycle	July 1, 2014
Annual Improvement to IFRSs 2012-2014 Year	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

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

- (2) The new, revised or amended Standards and Interpretations haven’t been endorsed by the Financial Supervisory Commission (FSC)

The following new, revised or amended Standards and Interpretations haven’t been endorsed by the Financial Supervisory Commission (FSC) but issued and revised by International Accounting Standards Board (IASB) :

<u>New, revised or amended standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 “Financial Instrument”	January 1, 2018
Amendments to IFRS10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS16 “Leases”	January 1, 2019
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendment to IFRS 15 “Clarification to IFRS 15”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

The following may have material impact on the Group’s accounting policies:

<u>Effective date</u>	<u>New or revised standard</u>	<u>Major revised content</u>
May 28, 2014	IFRS 15, “Revenue From	New Standard establish a five-step model framework to recognize revenue that apply to all contracts with customers, and will supersede IAS18, “Revenus”, IAS 11, “Construction Contracts” and a number of revenue-related interpretations. On April, 12, 2016, the new amendment clarify following items: identify a performance obligation, determine whether a company is a principal or an agent, the revenue from granting a license should be recognised at a point in time or over time.
April 12, 2016	Contracts with Cutsomers”	

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

<p>November 19, 2013 July 24, 2014</p>	<p>IFRS 9, “Financial Instruments”</p>	<p>New standard will substitute IAS 39, “Financial Instruments: Recognition and Measurement”. The major revise is as follows:</p> <ul style="list-style-type: none"> • Classification and Measurement : Financial assets driven by contractual cash flow characteristics and the business model can be classified into measured at the amortized cost, fair value through other comprehensive income and fair value through profit or loss. Further, designated financial liability at fair value through profit or loss, if fair vale change due to credit risk, it should recognize through other comprehensive income. • Impairment : A new expected loss impairment model had been replaced by current incurred losses model. • Hedge Accounting : Adopt more principle-based approaches as hedge accounting is more closer to risk management including revised to achieve, continue or stop adopting hadge accounting and use more types of risk exposures to meet hedged item’s condition.
<p>January 13, 2016</p>	<p>IFRS 16, “Leases”</p>	<p>New standard revsed lease accounting methods as below :</p> <ul style="list-style-type: none"> • Lessee shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets. Lease expense within the lease period is measured by depreciation amount of the right-of-use and interest amortization of lease liability. • Lessors shall classify each lease as an operating lease or a finance lease. The accounting method is similar to IAS 17, “Leases”.
<p>January 19, 2016</p>	<p>Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”</p>	<p>Clarify that meet certain specific condition, unrealized loss recognized deferred tax asset and clarify the calculation method of “future taxable profit”.</p>
<p>January 29, 2016</p>	<p>Amendment to IAS 7 “Disclosure Initiative”</p>	<p>Request entity’s to provide changes of financial liabilities to enable investors to evaluate including changes of cash flow or non-cash such as foreign exchange loss or profit.</p>

The Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

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

4. Summary of Significant Accounting Policies

(a) Statement of compliance

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

Except below Note 4(c) and (d), the significant accounting policies for the consolidated financial statement applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. Please refer to Note 4 of 2015 consolidated financial statement for detail information.

(b) Basis of consolidation

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements. Please refer to Note 4(c) of 2015 consolidated financial statement for detail information.

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

Name of the Investor	Name of the Subsidiary	Business Activity	Percentage Ownership			Remarks
			2016.9.30	2015.12.31	2015.9.30	
The Company	Emerging Display Technologies Co., U.S.A.	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	
The Company	EDT-Europe ApS	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	EDT-Japan Corp.	Sale of CTP and LCDs	100.00%	100.00%	100.00%	
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	11.41%	
Emerging Display International (Samoa) Corp	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	

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

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

(c) Income tax

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

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

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

(d) Employee benefit

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

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

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

The same critical accounting judgement and key sources of estimation and uncertainty have been followed in these consolidated financial reports as were applied in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2015.

6. Explanation of significant accounting items

The explanation of significant accounting items of this quarterly consolidated financial statements had no significant difference compared with the Group consolidated financial statements for the year ended December 31, 2015. Please refer to Note 6 of 2015 consolidated financial statements.

(a) Cash and cash equivalents

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Cash and cash equivalents	\$ 331	270	256
Demand deposits	632,107	893,084	483,431
Check deposits	5,260	4,259	5,816
Time deposits	228,776	65,644	120,791
Repurchase notes	-	-	132,006
Total	<u>\$ 866,474</u>	<u>963,257</u>	<u>742,300</u>

The Group’s interest risk and sensitivity analysis of financial assets are disclosed in Note 6(y).

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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(b) Financial assets at fair value through profit or loss

	2016.9.30	2015.12.31	2015.9.30
Financial assets at fair value through profit or loss-Current:			
Corporate Bond	\$ -	48,540	65,740
Financial asset held for trade:			
Swap Contract	211	1,590	3,506
	\$ 211	50,130	69,246
Financial liabilities at fair value through profit or loss-Current:			
Financial liabilities held for trade:			
Swap Contract	\$ 2,416	-	-

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group had no financial assets at fair value through profit or loss pledged as collateral for loans.

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

	2016.9.30		
	Contract amount (Thousand Dollar)	Currency	Maturity period
Swap Contract	USD 11,000	USD to TWD	2016.10.14~2016.12.29
	2015.12.31		
	Contract amount (Thousand Dollar)	Currency	Maturity period
Swap Contract	USD 3,000	USD to TWD	2016.1.15~2016.2.17
	2015.9.30		
	Contract amount (Thousand Dollar)	Currency	Maturity period
Swap Contract	USD 5,000	USD to TWD	2015.10.15~2015.12.15

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(c) Available-for-sale financial assets

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Listed stocks in Taiwan	\$ 178,220	209,967	226,532
Foreign listed stocks	56,724	55,282	58,009
Open-end mutual funds	<u>315,264</u>	<u>349,485</u>	<u>295,799</u>
Total	<u><u>\$ 550,208</u></u>	<u><u>614,734</u></u>	<u><u>580,340</u></u>

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

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group had no available-for-sale financial assets pledged as collateral for loans.

(d) Bond investment without active market

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Restricted Certificate Deposit-current	<u>\$ 284,320</u>	<u>1,531</u>	<u>1,522</u>
Current	\$ 283,246	1,014	1,006
Non-current (recorded in other non-current financial assets)	<u>1,074</u>	<u>517</u>	<u>516</u>
Total	<u><u>\$ 284,320</u></u>	<u><u>1,531</u></u>	<u><u>1,522</u></u>

As of September 30, 2016 and December 31, 2015 and September 30, 2015, bond investment without an active market pledged as collateral for loans are disclosed in Note 8.

(e) Financial assets at cost

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Unlisted stocks	<u>\$ 185,000</u>	<u>185,000</u>	<u>185,000</u>

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, financial assets at cost were not pledged as collateral.

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(f) Accounts receivable and other receivables

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Account receivable	\$ 478,972	484,195	575,528
Other receivables-current	34,355	31,049	33,708
Other receivables- deposits paid	8,915	9,146	9,302
Less: allowance for doubtful accounts	<u>(35,077)</u>	<u>(42,427)</u>	<u>(42,523)</u>
	<u>\$ 487,165</u>	<u>481,963</u>	<u>576,015</u>

The aging analysis of unimpaired overdue receivables was as follows:

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
1~30 days	\$ 31,717	69,589	82,836
31~90 days	1,404	6,561	3,288
91~270 days	1,120	4,504	3,885
More than 271 days	<u>93</u>	<u>583</u>	<u>382</u>
	<u>\$ 34,334</u>	<u>81,237</u>	<u>90,391</u>

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

	<u>Nine months ended September 30, 2016</u>		
	Separate assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	\$ 41,940	487	42,427
Recognition(reversal) of impairment loss	31	(126)	(95)
Offset uncollected amount	(6,653)	-	(6,653)
The Effects of Changes in Foreign Exchange Rates	<u>(586)</u>	<u>(16)</u>	<u>(602)</u>
Balance at September 30, 2016	<u>\$ 34,732</u>	<u>345</u>	<u>35,077</u>

	<u>Nine months ended September 30, 2015</u>		
	Separate assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	\$ 41,062	1,787	42,849
Recognition(reversal) of impairment loss	182	(1,243)	(1,061)
The Effects of Changes in Foreign Exchange rate	<u>723</u>	<u>12</u>	<u>735</u>
Balance at September 30, 2015	<u>\$ 41,967</u>	<u>556</u>	<u>42,523</u>

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, accounts receivable and other receivables were not pledged as collateral.

(g) Inventory

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Raw materials	\$ 165,091	180,182	189,370
Work in process	304,408	328,336	336,226
Finished goods	244,432	321,263	287,027
Inventories in transit	<u>773</u>	<u>1,033</u>	<u>1,445</u>
Total	<u>\$ 714,704</u>	<u>830,814</u>	<u>814,068</u>

Write-down of Inventory to net realized value in the amount of \$4,568 was included in the cost of revenue for the nine months ended September 30, 2016. The previous write-down inventories had been sold and the net realizable value of inventories lowered than cost was no longer existed, the reversal of write-downs amounted to \$8,426, \$5,468, \$11,503 and recognized in the reduction of operating costs for the three months ended September 2016 and 2015, nine months ended September 30, 2015.

As of September 30, 2016, December 31, 2015 and September 30, 2015, inventories were not pledged as collateral.

(h) Non-controlling interests' share of subsidiaries

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

<u>Name of subsidiaries</u>	<u>Principal place of business</u>	<u>Proportion of non-controlling interest voting equity</u>		
		<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%	4.2%

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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Summarized financial information for Ying Cheng Investment Corp. is as follows:

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Current Asset	\$ 9,264	8,343	8,893
Non-Current Asset	150,000	150,000	150,000
Current Liability	-	(50)	-
Non-Current liability	-	-	-
Net Asset	<u>\$ 159,264</u>	<u>158,293</u>	<u>158,893</u>
Non-Controlling equity closing book amount	<u>\$ 75,650</u>	<u>75,189</u>	<u>75,474</u>

	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating revenue	\$ -	-	-	-
Net profit (Net Loss)	\$ 53	346	43	338
Other comprehensive income	446	(540)	928	(1,280)
Comprehensive income	<u>\$ 499</u>	<u>(194)</u>	<u>971</u>	<u>(942)</u>
Profit attributable to non-controlling interest	<u>\$ 25</u>	<u>165</u>	<u>20</u>	<u>161</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 237</u>	<u>(92)</u>	<u>461</u>	<u>(448)</u>

	<u>Nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>
Cash flow from operating activities	\$ (3)	308
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	<u>\$ (3)</u>	<u>308</u>

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

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Current Asset	\$ 126,314	135,002	111,600
Non-Current Asset	16,373	21,178	24,062
Current Liability	(24,835)	(35,862)	(16,638)
Non-Current liability	-	-	-
Net Asset	<u>\$ 117,852</u>	<u>120,318</u>	<u>119,024</u>
Non-Controlling equity closing book amount	<u>\$ 4,950</u>	<u>5,053</u>	<u>4,999</u>

	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating revenue	\$ 83,680	132,147	273,343	357,028
Net profit (Net Loss)	\$ (748)	10,149	4,581	8,003
Other comprehensive income	(3,592)	3,664	(7,046)	1,437
Comprehensive income	<u>\$ (4,340)</u>	<u>13,813</u>	<u>(2,465)</u>	<u>9,440</u>
Profit attributable to non-controlling interest	<u>\$ (31)</u>	<u>426</u>	<u>193</u>	<u>336</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (182)</u>	<u>580</u>	<u>(103)</u>	<u>396</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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	Nine months ended September 30	
	2016	2015
Cash flow from operating activities	\$ 415	793
Cash flow from investing activities	(2,651)	(3,983)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	(756)	481
Net increase in cash and cash equivalents	\$ (2,992)	(2,709)

(i) Property, plant and equipment

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

	Land	Building and construction	Machinery and equipment	Office equipment	Others	Total
Cost or deemed cost:						
Balance at January 1, 2016	\$ 52,249	995,983	2,705,564	32,418	151,520	3,937,734
Additions	-	2,281	6,867	373	11,490	21,011
Reclassification	-	-	9,759	-	(9,759)	-
Disposals	-	-	(126,050)	(244)	(1,963)	(128,257)
Effect of movements in exchange rates	(2,332)	(3,951)	(14,998)	(552)	(366)	(22,199)
Balance at September 30, 2016	\$ 49,917	994,313	2,581,142	31,995	150,922	3,808,289
Balance at January 1, 2015	\$ 50,378	992,833	2,896,845	37,782	138,135	4,115,973
Additions	-	2,190	7,407	2,212	30,599	42,408
Reclassification	-	-	7,287	800	(8,087)	-
Disposals	-	-	(217,064)	(8,593)	(19)	(225,676)
Effect of movements in exchange rates	1,942	1,569	4,095	421	36	8,063
Balance at September 30, 2015	\$ 52,320	996,592	2,698,570	32,622	160,664	3,940,768
Depreciation and impairment loss:						
Balance at January 1, 2016	\$ -	737,759	2,529,764	28,524	103,877	3,399,924
Depreciation for the year	-	14,508	56,586	985	11,717	83,796
Disposals loss	-	-	(126,050)	(244)	(1,963)	(128,257)
Effect of movements in exchange rates	-	(3,218)	(14,401)	(531)	(335)	(18,485)
Balance at September 30, 2016	\$ -	749,049	2,445,899	28,734	113,296	3,336,978
Balance at January 1, 2015	\$ -	712,250	2,669,205	35,491	85,467	3,502,413
Depreciation for the year	-	21,114	61,824	975	14,353	98,266
Reclassification	-	-	-	(158)	158	-
Disposals loss	-	-	(217,027)	(8,320)	(19)	(225,366)
Effect of movements in exchange rates	-	1,040	4,033	407	88	5,568
Balance at September 30, 2015	\$ -	734,404	2,518,035	28,395	100,047	3,380,881
Carrying amounts:						
Balance at January 1, 2016	\$ 52,249	258,224	175,800	3,894	47,643	537,810
Balance at September 30, 2016	\$ 49,917	245,264	135,243	3,261	37,626	471,311
Balance at January 1, 2015	\$ 50,378	280,583	227,640	2,291	52,668	613,560
Balance at September 30, 2015	\$ 52,320	262,188	180,535	4,227	60,617	559,887

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

As of September 30, 2016, December 31 and September 30, 2015, property, plant and equipment pledged as collateral for short-term, long-term loans and finance are disclosed in Note 8.

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(j) Investment property

	Land	Building and construction	Total
Cost or deemed cost:			
Balance at January 1, 2016	<u>\$ 10,079</u>	<u>7,328</u>	<u>17,407</u>
Balance at September 30, 2016	<u>\$ 10,079</u>	<u>7,058</u>	<u>17,137</u>
Balance at January 1, 2015	<u>\$ 10,079</u>	<u>7,689</u>	<u>17,768</u>
Balance at September 30, 2015	<u>\$ 10,079</u>	<u>7,419</u>	<u>17,498</u>

The Group had no significant acquisition, disposal or reversal or write-down of impairment loss of investment property for the nine months ended September 30, 2016 and 2015. Please refer to Note 12 for depreciation amount for the nine months ended September 30, 2016. Other related information, please refer to Note 6(j) of 2015 consolidated financial statements.

The fair value of Group's investment property had no significant difference with 2015 consolidated financial statements disclosed in Note 6(j).

As of September 30, 2016, December 31 and September 30, 2015, investment property pledged as collateral for short-term, long-term loans and finance are disclosed in Note 8.

(k) Intangible assets

	Patent and other	Computer software cost	Total
Book value detail as below			
Balance as of January 1, 2016	<u>\$ 1,938</u>	<u>1,587</u>	<u>3,525</u>
Balance as of September 30, 2016	<u>\$ 1,884</u>	<u>1,321</u>	<u>3,205</u>
Balance as of January 1, 2015	<u>\$ 1,894</u>	<u>1,063</u>	<u>2,957</u>
Balance as of September 30, 2015	<u>\$ 1,903</u>	<u>1,798</u>	<u>3,701</u>

There is no increase for acquisition, disposal, reversal or write-down of impairment loss of investment property for the nine months ended September 30, 2016 and 2015. Please refer Note 12 for amortization amount for the nine months ended September 30, 2016. Other related information, please refer to Note 6(k) of 2015 consolidated financial statements.

As of September 30, 2016, December 31, 2015 and September 30, 2015, intangible assets were not pledged as collateral.

(l) Other current asset

	2016.9.30	2015.12.31	2015.9.30
Tax refund receivable	\$ 1,904	2,111	2,982
Prepayment for purchases	2,909	4,850	677
Other prepaid expenses	8,672	6,622	8,600
VAT paid	3,835	18,294	20,284
Others	-	1,533	1,607
	<u>\$ 17,320</u>	<u>33,410</u>	<u>34,150</u>

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(m) Short-term loans

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Letters of credit	\$ 10,314	9,286	6,636
Unsecured bank loans	650,000	540,000	330,000
Secured bank loans	272,000	50,000	-
Total	<u>\$ 932,314</u>	<u>599,286</u>	<u>336,636</u>
Unused lines of credit	<u>\$ 922,740</u>	<u>1,024,682</u>	<u>714,350</u>
Interest rates applied	<u>0.88%~1.2%</u>	<u>1.18%~1.43%</u>	<u>1.13%~1.5%</u>

(i) Increase and repayment of loan

For the nine months ended September 30, 2016 and 2015, the increase amount is \$932,314 and \$337,721 with interest rate 0.88%~1.20% and 1.13%~1.50% and maturity period is from October, 2016 to March, 2017 and October, 2015 to March, 2016, respectively. Repayment amount is \$599,286 and \$31,986 respectively. Please refer to Note 6(w) for interest expense. Other related information, please refer to Note 6(m) of 2015 consolidated financial statements.

(ii) Collateral for short-term loans

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

(iii) As of September 30, 2016, December 31 and September 30, 2015, The Group's acceptance credit for purchases of raw materials amounted to \$8,241, \$11,174 and \$11,352, respectively.

(n) Long-term loans

The details of long-term loans were as follows:

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Secured bank loans	\$ -	291,200	291,200
Less: current portion	-	(72,800)	(72,800)
Total	<u>\$ -</u>	<u>218,400</u>	<u>218,400</u>
Unused lines of credit	<u>\$ -</u>	<u>-</u>	<u>-</u>
Interest rates applied	<u>-</u>	<u>2.0056%</u>	<u>2.0609%</u>

(i) Increase and repayment of loan

For the nine months ended September 30, 2016 and 2015, there were no increases in long-term loans, and the repayments of long-term loans amounted to \$291,200 and \$345,800 respectively according to the contract. The advanced repayment of long-term loan amounted to \$254,800 for the nine months ended September 30, 2016 due to the Group's financing strategy. Please refer to Note 6(w) for interest expense detail.

The Group signed a 3-year loan contract with E. Sun Bank and six other banks on the purpose of repaying the long-term loans as mentioned above to raise its operating capital November, 2013. Besides, according to the contract, if the Group does not violate any terms during last three to six months before the contract expires, the Group can extend its term of credit for another two years.

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

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 \$1,700,000 should be maintained.

(ii) Collateral for long-term loans

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

(o) Operating lease

There is no increase for Operating lease for the nine months ended September 30, 2016 and 2015. Please refer to Note 6(o) for the 2015 consolidated financial statements.

(p) Employee Benefit

(i) Defined benefit plan

There are no significant market fluctuations, curtailments, settlement or other one-time events after the end the previous financial year, the pension cost measurement and disclosure of interim pension cost are calculated based on actuarial adopted on December 31, 2015 and 2014.

Cost recognized in profit or loss is as below:

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Operating cost	\$ 442	513	1,318	1,528
Selling expenses	17	18	54	58
General and administrative expenses	56	65	166	199
Research and development expenses	41	49	125	150
	\$ 556	645	1,663	1,935

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(ii) Defined Contribution Plan

Cost recognized in profit or loss is as below:

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Operating cost	\$ 5,782	5,734	16,964	16,873
Selling expenses	1,339	1,201	4,052	3,751
General and administrative expenses	495	457	1,394	1,364
Research and development expenses	542	529	1,593	1,557
	\$ 8,158	7,921	24,003	23,545

(q) Income tax

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Current tax expense (profit)				
Current	\$ 4,323	2,586	6,466	4,737
Adjust previous current tax	3	-	(210)	1,597
Deferred tax expense				
Origination and reversal of temporary differences	6,883	18,350	23,435	41,495
	\$ 11,209	20,936	29,691	47,829

No income tax was recognized directly in equity.

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Unrealized gain (loss) on available-for-sale financial assets	\$ (1,392)	-	437	-

(ii) Approval of income tax

The Group's income tax returns for all fiscal years up to 2014 have been examined and approved by the R.O.C. tax authority.

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

	2016.9.30	2015.12.31	2015.9.30
1997 and prior years	\$ -	-	-
1998 and thereafter	285,764	216,937	154,201
	\$ 285,764	216,937	154,201
Balance of imputation credit	\$ 2,061	8,268	7,282

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2015(Actual)</u>	<u>2014(Actual)</u>
Tax creditable ratio for earnings distributed to residents in R.O.C.	<u>4.18%</u>	<u>-</u>

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

(r) Share capital and other equity

The Group had no share capital change for the nine months ended September 30, 2016 and 2015 except below statement. Please refer to Note 6(r) of 2015 consolidated financial statements for detail information.

(i) Common Stock

The Company's Board of Directors approved resolutions to retire treasury stock amounting to 14,000 thousand shares with a face value of \$140,000 on January 14, 2016. The related registration procedures had been completed.

The Company's Board of Directors approved resolutions to buy back treasury stock 5,000 thousand shares respectively on August 3 and September 7, 2015 respectively and completed the buy back. Further, the Company's Board of Directors approved resolution to retire treasury stocks amounting to 5,000 thousand shares with a face value of \$50,000 on August 27, 2015. The related registration procedures had been completed.

As of September 30, 2016, December 31, 2015 and September 30, 2015, the authorized share capital of the Company amounted to \$3,500,000 comprising 350,000 thousand shares with a par value of TWD10 per share. Issued shares were 200,908 thousand shares, 214,908 thousand shares and 221,108 thousand shares, respectively. The weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Company's subsidiaries were comprising 180,113 thousand shares, 192,114 thousand shares and 212,313 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows:

	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Treasury stock	\$ 31,097	27,955	13,836
Dividends to subsidiaries	2,806	-	-
	<u>\$ 33,903</u>	<u>27,955</u>	<u>13,836</u>

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

On June 2, 2015, the Company's Shareholder meeting approved offsetting the accumulated deficit as of year 2014 with capital surplus of \$6,294.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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(iii) Retained earnings

The Company's articles of incorporation stipulate that annual earnings shall be appropriated as follows:

- Pay income tax;
 - Make up accumulated deficit;
 - Appropriate legal reserve;
 - Appropriate special reserve;
- If there is a remaining balance, the Board of Directors shall propose an earning distribution plan which distribution amount is no more than 80 percent of the income after tax for the current year

The Company's industry is in a stable growth phase. It has adopted a residual dividend policy based on its future capital budget plan and operating capital needs. The Company also takes the effects of dilutive potential shares and the effect on ROE into consideration in calculating EPS. Therefore, the distribution policy gives priority to cash dividends and then share dividends. However, the cash dividend distribution should not be lower than 50 percent of the total dividend distribution of the current year.

a. Legal reserve

According to the ROC Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. When a company incurs no loss, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

b. Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately.

The Company's retained earnings this year decreased due to the first-time adoption of IFRSs. As of December 31, 2012, the Company had an accumulated deficit; therefore, there is no need to distribute any special reserve.

In accordance with the guidelines of the above Ruling, 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 be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve \$62,110 has been approved by the Company's shareholders meeting as of September 30, 2016.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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In accordance with Ruling No. 1010047490 issued by the Financial Supervisory Commission 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. The special reserve \$34,338 has been approved by the Company's shareholders meeting as of September 30, 2016.

c. Earnings distribution

The appropriation of 2015 earning has been approved by the Company's shareholders meeting on June 7, 2016. The appropriation and dividend per share is as follows,

Cash dividend to shareholders (NT\$) **\$0.31905693** (Note)

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

On June 2, 2015, the Company's stockholders' meeting decided to use the 2014 net income after tax to make up the previous years' accumulated deficit, with no dividend distribution.

(iv) Treasury stock

The Movement of the Company's treasury stocks is as follows:

Reason to buy back	Beginning shares	Increase shares	Decrease shares	Ending shares
For the nine months ended				
September, 2016				
Maintain the Company's credit and stockholders' equity	14,000	-	(14,000)	-
Transfer to employees	-	12,000	-	12,000
	14,000	12,000	(14,000)	12,000
For the nine months ended				
September, 2015				
Maintain the Company's credit and stockholders' equity	-	10,000	(5,000)	5,000

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the number of shares repurchased should not exceed 10 percent of all common shares issued. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of September 30, 2015, the Company could repurchase no more than 22,110 thousand shares with a total value of no more than \$168,037. Besides, as of June 30, 2015, the Company could repurchase no more than 22,610 thousand shares with a total value of no more than \$51,136 the repurchase shares and amount did not exceed the statutory limit.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. For the nine months ended September 30, 2016 and 2015, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of September 30, 2016, December 31, 2015 and September 30, 2015, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of September 30, 2016, December 31, 2015 and September 30, 2015, their market values amounted to \$89,703, \$87,944 and \$66,222, respectively.

(v) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment
January 1, 2016	\$ 9,532	(108,533)
The Group	(9,490)	11,057
Balance as of September 30, 2016	<u>\$ 42</u>	<u>(97,476)</u>
January 1, 2015	\$ 8,133	(45,025)
The Group	4,838	(52,827)
Balance as of September 30, 2015	<u>\$ 12,971</u>	<u>(97,852)</u>

(s) Earnings per share

The basic and diluted earnings per share of the Group are as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Basic Earnings per share				
Profit (loss) attributable to owners of parent	<u>\$ 35,977</u>	<u>103,065</u>	<u>129,100</u>	<u>204,035</u>
Weighted-average number of common shares (expressed in thousands of shares)	<u>180,113</u>	<u>216,095</u>	<u>183,505</u>	<u>216,095</u>
Expressed in New Taiwan dollars	<u>\$ 0.20</u>	<u>0.48</u>	<u>0.70</u>	<u>0.94</u>
Diluted Earnings per share				
Profit (loss) attributable to owners of parent	<u>\$ 35,977</u>	<u>103,065</u>	<u>129,100</u>	<u>204,035</u>
Weighted-average number of common shares (expressed in thousands of shares)	180,113	216,095	183,505	216,095
Effect of potentially dilutive common stock:				
— Employee bonus	251	1,438	1,138	1,438
Weighted-average number of common shares - diluted (expressed in thousands of shares)	<u>180,364</u>	<u>217,533</u>	<u>184,643</u>	<u>217,533</u>
Expressed in New Taiwan dollars	<u>\$ 0.20</u>	<u>0.47</u>	<u>0.70</u>	<u>0.94</u>

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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(t) Revenue

Details of revenue were as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Sales of goods	\$ 782,064	888,001	2,492,820	2,692,027

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

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

For the three months and nine months ended September 30, 2016, the Company accrued the compensation of employees, remuneration of directors and supervisors amounted to \$2,556, \$8,535 and \$1,534, \$5,121 respectively. The compensation of employees, remuneration of directors and supervisors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors and supervisors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses during this period. For the three months and nine months ended September 30, 2015, the Company accrued the compensation of employees, remuneration of directors and supervisors amounted to \$8,430, \$10,827 and \$5,058, \$6,496 respectively. The compensation of employees, remuneration of directors and supervisors were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of directors and supervisors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses during this period. For any change after the issuance date of the financial statements, the difference shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year. If Board of Directors resolved to contribute employee compensation by issuing stocks, the shares of stock will be calculated based on the date of the Company's stock closing price prior to the date of Board of Directors' meeting.

The accrued amount of 2015 profit sharing compensation to employees, remuneration of directors and supervisors was \$14,371 and \$8,623, respectively and had no difference with the actual appropriations of earnings. For related information, please go to website: <http://emops.twse.com.tw>.

(v) Other operating income and expenses

Other operating income and expenses were rental revenue.

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Notes to consolidated financial statements

(w) Non-operating income and expenses

(i) Other income

Details of other income were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Interest income				
Bank deposits	\$ 726	1,128	1,926	3,858
Other loans and receivables	65	79	199	248
Dividend revenue	7,180	13,481	8,357	13,481
Others	4,031	68	8,734	279
	<u>\$ 12,002</u>	<u>14,756</u>	<u>19,216</u>	<u>17,866</u>

(ii) Other gains and losses

Details of other gains and losses were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Foreign exchange gains (losses)	\$ (30,654)	61,975	(38,187)	42,908
Net gains on disposal of investments and financial liability				
Net gains on proceed of available-for-sale financial assets	4,957	2,476	8,063	20,197
Others	(158)	-	(158)	-
Gain/loss on Financial assets at fair value through profit or loss-current	(2,116)	12,868	32	12,191
Gains on disposal of property, plant and equipment, net	(4)	(130)	367	844
Others	(19)	(14)	(46)	(45)
	<u>\$ (27,994)</u>	<u>77,175</u>	<u>(29,929)</u>	<u>76,095</u>

(iii) Finance Cost

Details of finance costs were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Interest expenses				
Bank loans	\$ 3,572	4,054	9,420	12,722

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

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Available-for-sale financial assets				
Net change in fair value occurred in current year	\$ 22,998	(36,940)	19,124	(32,992)
Net change in fair value reclassified to income	(4,957)	(2,556)	(8,063)	(20,444)
Net change in fair value recognized in other comprehensive income	<u>\$ 18,041</u>	<u>(39,496)</u>	<u>11,061</u>	<u>(53,436)</u>

(y) Financial instruments

There was no significant change of the Group's fair value of financial instruments, exposure to credit risk, liquidity risk and market risk except below statements. Please refer to Note 6(y) of 2015 consolidated financial statements.

(i) Credit Risk

To reduce the credit risk of accounts receivable, the Group continuously evaluates customers' financial condition, and requires customers to provide a guarantee if necessary. The Group periodically measures the possibility of collecting the accounts receivable and also records an allowance for doubtful accounts, which is always under the expectation of the management. The Group has no significant concentration of its accounts receivable as of September 30, 2016, December 31, 2015 and September 30, 2015.

(ii) Liquidity Risk

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

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 years	Due in over 5 years
September 30, 2016							
Non-derivative financial liabilities							
Secured loans	\$ 272,000	(272,133)	(272,133)	-	-	-	-
Unsecured loans	660,314	(660,699)	(660,699)	-	-	-	-
Accounts payable	326,533	(326,533)	(326,533)	-	-	-	-
Notes payable	2,414	(2,414)	(2,414)	-	-	-	-
Other payable	88,247	(88,247)	(88,087)	-	-	(160)	-
Derivative financial liabilities							
Swap Contract :	2,416						
Cash out		(284,364)	(284,364)	-	-	-	-
Cash in		282,240	282,240	-	-	-	-
	<u>\$ 1,351,924</u>	<u>(1,352,150)</u>	<u>(1,351,990)</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12 months	Due in 1-2 years	Due in 2-5 years	Due in over 5 years
December 31, 2015							
Non-derivative financial liabilities							
Secured loans	\$ 341,200	(347,206)	(89,072)	(38,774)	(219,360)	-	-
Unsecured loans	549,286	(550,095)	(550,095)	-	-	-	-
Accounts payable	365,174	(365,174)	(365,174)	-	-	-	-
Notes payable	3,193	(3,193)	(3,193)	-	-	-	-
Other payable	119,887	(119,887)	(119,727)	-	-	(160)	-
	\$ 1,378,740	(1,385,555)	(1,127,261)	(38,774)	(219,360)	(160)	-
September 30, 2015							
Non-derivative financial liabilities							
Secured loans	\$ 291,200	(298,923)	(39,388)	(39,014)	(220,521)	-	-
Unsecured loans	336,366	(336,739)	(336,739)	-	-	-	-
Accounts payable	403,429	(403,429)	(403,429)	-	-	-	-
Notes payable	4,871	(4,871)	(4,871)	-	-	-	-
Other payable	120,230	(120,230)	(120,070)	-	-	(160)	-
	\$ 1,156,096	(1,164,192)	(904,497)	(39,014)	(220,521)	(160)	-

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

(iii) Market Risk

a. Exchange rate risk

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

	2016.9.30			2015.12.31			2015.9.30		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 53,266	31.36	1,670,433	40,032	32.825	1,314,035	41,545	32.87	1,365,593
JPY	6,993	0.3109	2,174	22,824	0.2727	6,224	4,577	0.2739	1,254
RMB	2,432	4.693	11,414	13,163	4.995	65,747	6,302	5.176	32,617
EURO	-	-	-	285	35.88	10,192	-	-	-
<u>Non-Monetary items</u>									
USD	11,274	31.36	353,545	11,834	32.825	388,461	10,337	32.87	339,791
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
TWD	717	1	717	36	1	36	88	1	88
USD	9,271	31.36	290,754	9,256	32.825	303,830	9,956	32.87	327,246
JPY	22,624	0.3109	7,034	29,200	0.2727	7,963	31,511	0.2739	8,631
<u>Non-Monetary items</u>									
USD	77	31.36	2,416	-	-	-	-	-	-

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, other receivables, available-to-sale financial assets, loans, accounts payable, bonds payable and other payables. As of September 30, 2016 and 2015, the exchange rate of the TWD versus the USD, CNY, and JPY increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$11,464 and \$10,060, respectively for the nine months ended September, 2016 and 2015.

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The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain of monetary items. For the three months and nine months ended September 30, 2016 and 2015, the exchange loss and profit (including realized and unrealized) that resulted from monetary items translated to the functional currency was loss \$30,654, profit \$61,975, loss \$38,187 and profit \$42,908 respectively.

b. Interest rate risk

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

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

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

If interest rates on loans had increased or decreased by 1% with all other variables held constantly. Profit after tax for the nine months ended September 30, 2016 and 2015 would have been decreased by \$58 and increased by \$65, respectively, mainly as a result of liabilities bearing floating interest rates.

c. Other price risk

If the equity price changes, and if it is on the same basis for both years, and assuming all other variables remain the same, the impact on other comprehensive income will be as follows:

Equity price at reporting date	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 3%	\$ 14,704	-	15,695	-
Decrease 3%	\$ (14,704)	-	(15,695)	-

(iv) Fair value

a. Categories and fair values of financial instruments

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

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	2015.9.30				
	Carrying	Fair Value			Amount
	Amount	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
ECB	\$ 65,740	65,740	-	-	65,740
Swap Contracts	3,506	-	3,506	-	3,506
	69,246	65,740	3,506	-	69,246
Available-for-sale financial assets					
Stocks in listed companies	284,541	284,541	-	-	284,541
Open-end fund	295,799	295,799	-	-	295,799
Financial assets carried at cost	185,000	-	-	-	-
	765,340	580,340	-	-	580,340
Loan and receivables					
Cash and Cash equivalent	742,300	-	-	-	-
Debt instrument without active market	1,522	-	-	-	-
Account Receivables	545,989	-	-	-	-
Other Account Receivables	20,724	-	-	-	-
Other receivable - refundable deposits (recognized in other assets - noncurrent)	9,302	-	-	-	-
	1,319,837	-	-	-	-
Total financial assets	\$ 2,154,423	646,080	3,506	-	649,586
Financial liabilities at amortized cost					
Bank loans	\$ 627,566	-	-	-	-
Notes payable	4,871	-	-	-	-
Account payable	403,429	-	-	-	-
Other payable	120,070	-	-	-	-
Total financial liabilities	\$ 1,155,936	-	-	-	-

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

- Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

c. Valuation techniques and assumptions unused in fair value determination

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

d. Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

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

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

Derivative instruments

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

e. Transfer between level 1 and level 2

There was no transfer between the fair value hierarchy levels for the nine months ended September 30, 2016 and 2015.

(z) Financial risk management

There was no significant change of the Group's financial risk management objectives and policy disclosed in 2015 consolidated report. Please refer to Note 6(z) of 2015 consolidated financial statements.

(aa) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2015 consolidated financial statements. Further, there was no significant change of the summary quantitative information as disclosed in 2015 consolidated financial statements. Please refer to Note 6(aa) of 2015 consolidated financial statements.

7. Transactions with Related Parties

(a) Relationship

The Company is the ultimate controlling party of the Group.

(b) Compensation of key management personnel

The information on key management personnel compensation was as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 5,686	13,163	19,816	24,220
Post-employment benefits	145	143	433	428
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	\$ 5,831	13,306	20,249	24,648

The Group provided five of their own cars and another rental car for their key management personnel to use. The book value of those cars amounted to \$10,487, and the rental expense car amounted to \$227, \$227, and \$679, \$679, respectively for the three months and nine months ended September 30, 2016 and 2015.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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8. Pledged Asset

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

<u>Pledged Assets</u>	<u>Purpose</u>	<u>2016.9.30</u>	<u>2015.12.31</u>	<u>2015.9.30</u>
Bond investments without active market — current — time deposits	Guarantee for customs and government grants	\$ 1,006	1,014	1,006
Property, plant and equipment — buildings	Guarantee for long-term borrowings	-	240,645	243,884
Property, plant and equipment — machinery and equipment	Guarantee for short-term and long-term borrowings	-	106,658	120,065
Investment property	Guarantee for short-term borrowings	14,367	14,638	14,728
Bond investments without active market-current — Certificate Deposit	Guarantee for short-term borrowings	282,240	-	-
Other financial assets — noncurrent time deposits	Guarantee Letter of Credit for lease contract	1,074	517	516
		<u>\$ 298,687</u>	<u>363,472</u>	<u>380,199</u>

9. Commitments and Contingencies

(a) As of September 30, 2016, December 31, 2015 and September 30, 2015, The Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$17,585, \$27,457 and \$20,892, respectively.

(b) As of September 30, 2016, December 31, 2015 and September 30, 2015, The Group has signed contracts for the purchase of equipment. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$2,000, \$3,221 and \$5,631, respectively.

10. Losses Due to Major Disaster: None.

11. Significant Subsequent Event:

On Oct. 19, 2016, the Company's Board of Directors' resolved to buy treasury stocks 2,500 thousand shares from October to December, 2016. The Company had completed the buy back shares as of November 3, 2016 when announced and approved this financial report.

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12. Others

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

	Three months ended September 30, 2016			Three months ended September 30, 2015		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	79,235	46,623	125,858	120,500	50,837	171,337
Labor and health insurance	10,100	3,333	13,433	10,461	3,108	13,569
Pension expense	6,224	2,490	8,714	6,247	2,319	8,566
Other personnel cost	6,748	1,415	8,163	7,664	1,569	9,233
Depreciation	25,622	1,476	27,098	30,021	1,524	31,545
Amortization	137	71	208	145	94	239

	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee expenses:						
Salaries and wages	279,254	142,731	421,985	324,404	146,603	471,007
Labor and health insurance	30,801	9,854	40,655	31,758	9,467	41,225
Pension expense	18,282	7,384	25,666	18,401	7,079	25,480
Other personnel cost	21,318	4,363	25,681	22,536	4,567	27,103
Depreciation	79,661	4,405	84,066	93,959	4,577	98,536
Amortization	451	271	722	405	284	689

(b) Seasonal operation:

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

13. Supplementary Disclosure Requirements

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the nine months ended September 30, 2016 were as follows:

(a) Information on significant transactions:

- (i) Loans extended to other parties: None.
- (ii) Guarantees provided to other parties: None.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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(iii) Securities owned as of September 30, 2016 (subsidiaries, associates and joint ventures not included):

Name of security holder	Name of security and type	Relationship between the investee and the Company	Financial statement account	September 30, 2016				Remark
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	10,000	5.00%	10,000	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.23%	25,000	-
The Company	Apple Inc. stock	-	Available-for-sale financial assets – current	16,000	56,724	-	56,724	-
The Company	Innolux Corp. stock	-	Available-for-sale financial assets – current	1,147,089	12,159	0.01%	12,159	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets – current	300,000	13,890	-	13,890	-
The Company	Hon Hai Precision Co., Ltd. stock	-	Available-for-sale financial assets – current	577,500	45,622	-	45,622	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets – current	250,000	12,725	0.05%	12,725	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Available-for-sale financial assets – current	300,000	10,695	0.01%	10,695	-
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets – current	474,600	16,468	0.03%	16,468	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets – current	216,000	17,410	0.01%	17,410	-
The Company	Mega Financial Holding Co., Ltd stock	-	Available-for-sale financial assets – current	555,000	12,238	-	12,238	-
The Company	Coasia Microelectronics Corp. stock	-	Available-for-sale financial assets – current	441,509	7,439	0.32%	7,439	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	480,000	8,400	0.78%	8,400	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx	-	Available-for-sale financial assets – current	2,000,000	18,654	-	18,654	-
The Company	Edmond de Rothschild Europe Convertibles	-	Available-for-sale financial assets – current	8,468.12	25,480	-	25,480	-
The Company	JPM Global Income A (acc)	-	Available-for-sale financial assets – current	11,945.82	62,532	-	62,532	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	100,738.54	92,563	-	92,563	-
The Company	Franklin Templeton Investment Funds - Templeton Global Bond Fund Class A (acc)	-	Available-for-sale financial assets – current	46,357.62	39,092	-	39,092	-
The Company	Fidelity Funds - Euro Balanced Fund	-	Available-for-sale financial assets – current	88,226.18	30,518	-	30,518	-
The Company	Henderson Horizon Fund - Euroland Fund	-	Available-for-sale financial assets – current	42,625.75	14,744	-	14,744	-
The Company	Fidelity Funds –Asia High Yield Fund	-	Available-for-sale financial assets – current	61,787.31	31,681	-	31,681	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	9,625	0.90%	9,625	-
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Available-for-sale financial assets – current	100,000	786	0.02%	786	-
Ying Dar Investment Development Corp.	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	5,346,672	54,536	2.66%	54,536	Note
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	6,650	0.62%	6,650	-
Bae Haw Investment Development Corp.	The Company's stock	The Company	Available-for-sale financial assets – noncurrent	3,447,716	35,167	1.72%	35,167	Note
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	6,000,000	150,000	13.38%	150,000	-
Ying Cheng Investment Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	235,000	4,113	0.38%	4,113	-

Note: It was eliminated in the consolidation.

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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(vii) Sales to and purchases from related parties in excess of \$100 million or 20% of issued share capital was as follows:

Purchasing (selling) company	Counterparty	Relationship	Detail of Transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remark
			Purchase (sale)	Amount	% of net Purchases (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Sale	(1,046,894)	(44.05)%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. was not significantly different from those offered to other customers.	Collection terms offered to Emerging Display Technologies Co., U.S.A. was not significantly different from other customers.	332,373	56.83%	Note
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	283,125	24.63%	1-3 months	Tremendous Explore Corp. 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.	(113,117)	28.58%	Note
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,046,894	99.89%	3 months	The Company is the major supplier for Emerging Display Technologies Co., U.S.A. There is no comparable transaction.	The Company is the major supplier for Emerging Display Technologies Co., U.S.A.	(332,373)	(100.00)%	Note
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	(283,125)	(100.00)%	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.	113,177	100.00%	Note
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	273,343	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(79,378)	(72.09)%	Note
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	(273,343)	(100.00)%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	79,378	100.00%	Note

Note: It was eliminated in the consolidation.

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

Name of company that has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remark
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Account Receivables of \$332,373	3.84	-	-	35,581	-	Note
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Account Receivables of \$113,177	3.59	-	-	23,907	-	Note

Note: It was eliminated in the consolidation.

(ix) Derivative financial instrument transactions:

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

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(x) Significant inter-company transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subjects	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Sales revenue Accounts receivable	1,046,894 332,373	No significant collections term difference between other customers and Emerging Display Technologies Co., U.S.A.	42.00% 9.19%
0	The Company	Tremendous Explore Corp.	1	Processing cost Accounts payable	283,125 113,177	No non-related-party transaction to compare to.	11.36% 3.13%
0	The Company	Emerging Display Technologies Co., U.S.A.	1	Selling expenses-Commission Other payable	1,574 840	No non-related-party transaction to compare to.	0.06% 0.02%
0	The Company	EDT-Europe ApS	1	Selling expenses-Commission Other payable	38,429 3,337	No non-related-party transaction to compare to.	1.54% 0.09%
0	The Company	Emerging Display Technologies Korea Corp.	1	Selling expenses -Commission	3,145	No non-related-party transaction to compare to.	0.13%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission Other payable	9,712 773	No non-related-party transaction to compare to.	0.39% 0.02%
1	Tremendous Explore Corp.	The Company	3	Processing revenue Accounts receivable	273,343 79,378	No non-related-party transaction to compare to.	10.97% 2.20%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	227,122	No non-related-party transaction to compare to.	9.11%

Note: Relationship notes as follows:

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

(b) Information on investees

Relevant information about investees for the nine months ended September 30, 2016 is as follows: (excluding investments in Mainland China)

Name of investors	Name of investees	Location	Business Scope	Original cost of investment		Balance as of September 30, 2016			Net Income(loss) of the investee	Investment income(Loss) recognized	Remark
				2016.9.30	2015.12.31	Shares	Ratio	Carrying value			
The Company	Emerging Display Technologies Co., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	63,374 (Note 1)	(2,782)	(3,112)	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	92,502	4,581	3,756	Subsidiary (Note 2&3)
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	4,064	2,542	2,542	Subsidiary (Note 2&3)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	1,310	5,875	5,875	Subsidiary (Note 2&3)
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,120	64	64	Subsidiary (Note 2&3)
The Company	EDT-Japan Corp.	Japan	Trading	17,401	17,401	5,000	100.00%	8,696	(955)	(955)	Subsidiary (Note 2&3)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,703	3,598	1,892	Subsidiary (Note 2&3)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	27,672	3,225	2,125	Subsidiary (Note 2&3)
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	83,613	43	22	Subsidiary (Note 2&3)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,953	4,581	-	Subsidiary (Note 2&3)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,447	4,581	-	Subsidiary (Note 2&3)

Note 1: It was deducted unrealized profit from sales \$19,408.

Note 2: It was eliminated in the consolidation.

Note 3: The net income (loss) and carrying value of the Investee's financial statements were not reviewed by CPA.

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(c) Information on investments in Mainland China:

(i) Related information regarding investments in Mainland China:

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

Investee company	Main Business and product	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2016	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Sep. 30, 2016	Net Income of Investee	The Company Direct or indirect Investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of Sep. 30, 2016	Accumulated Investment income repatriated to Taiwan as of Sep. 30, 2016
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (US\$7,625,300)	Investing through a third country to by establishing Emerging Display International(Samoa) Corp. to reinvest China company.	219,225 (US\$6,746,936) (Note 1)	-	-	219,225 (US\$6,746,936)	5,087	95.80% (Note 2)	5,034 Based on the investee's financial statements audited by the same auditor as the Company (Note 3)	104,035 (Note 4)	-

(ii) Upper limit on investment in Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China as of September 30, 2016 (Note 8)	Investment amount approved by the Investment Commission, Ministry of Economic Affairs (Note 8)	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
217,471 (US\$6,934,668) (Note 5)	437,526 (US\$13,951,732) (Note 6)	1,261,307 (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 profit of \$300 which was recognized by Ying Dar Investment Development Corp. and a profit of \$580 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$6,407 which was invested by Ying Dar Investment Development Corp. and \$12,391 which was invested by Bae Haw Investment Development Corp.

Note 5: The amount includes the remaining capital amounting to \$6,589 (US\$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. remitted back after it had completed liquidation in 2009.

Note 6: The approved amount includes US\$637,732 obtained from Ying Dar Investment Development Corp. and US\$870,000 obtained from Bae Haw Investment Development Corp. The amount obtained from Ying Dar Investment Development Corp. includes the remaining capital amounting to \$6,589 (US\$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. remitted back after it had completed liquidation in 2009.

Note 7: The amount includes \$48,743 for Ying Dar Investment Development Corp. and \$37,703 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at September 30, 2016.

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(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in “Information on significant transactions” for the nine months ended September 30, 2016.

14. Segment Information

Reportable segment information is as follows:

	Three months ended September 30, 2016					Total
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	
Revenue:						
Sales to customers other than consolidated entities	\$ 426,448	355,503	-	113	-	782,064
Sales among consolidated entities	<u>321,703</u>	<u>477</u>	<u>84,768</u>	<u>15,942</u>	<u>(422,890)</u>	<u>-</u>
Total revenue	<u>\$ 748,151</u>	<u>355,980</u>	<u>84,768</u>	<u>16,055</u>	<u>(422,890)</u>	<u>782,064</u>
Segment Income	<u>\$ 50,785</u>	<u>(757)</u>	<u>(852)</u>	<u>1,592</u>	<u>(3,588)</u>	<u>47,180</u>
	Three months ended September 30, 2015					
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 471,142	416,670	-	189	-	888,001
Sales among consolidated entities	<u>363,363</u>	<u>599</u>	<u>133,663</u>	<u>15,278</u>	<u>(512,903)</u>	<u>-</u>
Total revenue	<u>\$ 834,505</u>	<u>417,269</u>	<u>133,663</u>	<u>15,467</u>	<u>(512,903)</u>	<u>888,001</u>
Segment Income	<u>\$ 114,212</u>	<u>(935)</u>	<u>(298)</u>	<u>317</u>	<u>11,296</u>	<u>124,592</u>
	Nine months ended September 30, 2016					
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 1,328,180	1,164,266	-	374	-	2,492,820
Sales among consolidated entities	<u>1,048,380</u>	<u>1,574</u>	<u>283,124</u>	<u>51,286</u>	<u>(1,384,364)</u>	<u>-</u>
Total revenue	<u>\$ 2,376,560</u>	<u>1,165,840</u>	<u>283,124</u>	<u>51,660</u>	<u>(1,384,364)</u>	<u>2,492,820</u>
Segment Income	<u>\$ 151,110</u>	<u>(2,763)</u>	<u>5,875</u>	<u>1,680</u>	<u>3,102</u>	<u>159,004</u>

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Nine months ended September 30, 2015

	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 1,375,241	1,316,168	-	618	-	2,692,027
Sales among consolidated entities	1,198,704	1,751	359,752	46,809	(1,607,016)	-
Total revenue	<u>\$ 2,573,945</u>	<u>1,317,919</u>	<u>359,752</u>	<u>47,427</u>	<u>(1,607,016)</u>	<u>2,692,027</u>
Segment Income	<u>\$ 239,885</u>	<u>2,782</u>	<u>(1,626)</u>	<u>1,317</u>	<u>10,003</u>	<u>252,361</u>
	Domestic	North America	Mainland China	Other Operating Department	Adjustments and Eliminations	Total
Segment Assets						
September 30, 2016	<u>\$ 3,564,118</u>	<u>426,501</u>	<u>222,644</u>	<u>21,760</u>	<u>(618,913)</u>	<u>3,616,110</u>
December 31, 2015	<u>\$ 3,672,739</u>	<u>497,154</u>	<u>169,076</u>	<u>20,229</u>	<u>(598,265)</u>	<u>3,760,933</u>
September 30, 2015	<u>\$ 3,512,669</u>	<u>460,151</u>	<u>220,085</u>	<u>18,406</u>	<u>(584,647)</u>	<u>3,626,664</u>
Segment Liabilities						
September 30, 2016	<u>\$ 1,622,875</u>	<u>344,595</u>	<u>112,737</u>	<u>7,879</u>	<u>(510,678)</u>	<u>1,577,408</u>
December 31, 2015	<u>\$ 1,650,886</u>	<u>408,605</u>	<u>63,086</u>	<u>9,121</u>	<u>(486,834)</u>	<u>1,644,864</u>
September 30, 2015	<u>\$ 1,418,555</u>	<u>371,566</u>	<u>116,839</u>	<u>7,930</u>	<u>(502,405)</u>	<u>1,412,485</u>

The following is the explanation of material reconciliation item:

- (a) For the three months and nine months ended September 30, 2016 and 2015, the operating segments revenue eliminated from the consolidated entities were \$422,890, \$512,903, \$1,384,364 and \$1,607,016, respectively.
- (b) For the three months and nine months ended September 30, 2016 and 2015, the operating segments profit and loss eliminated from the consolidated entities were loss \$3,588, profit \$11,296, profit \$3,102 and profit \$10,003, respectively.
- (c) As of September 30, 2016, December 31, 2015 and September 30, 2015, the operating segments assets eliminated from the consolidated entities were \$618,913, \$598,265 and \$584,647, respectively.
- (d) As of September 30, 2016, December 31, 2015 and September 30, 2015, the operating segments liabilities eliminated from the consolidated entities were \$510,678, \$486,834 and \$502,405, respectively.