



EMERGING  
DISPLAY  
TECHNOLOGIES  
CORP.

Stock Code: 3038

# Emerging Display Technologies Corp. Annual Report 2017

## Notes to Readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

- ◆ Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>
- ◆ Annual Report is available at: <http://www.edtc.com>
- ◆ Printed on April 30, 2018

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### KPMG

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## Overseas Securities Exchange

Not Applicable.

## Corporate Website

<http://www.edtc.com>

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## I. Letter to Shareholders

Dear Shareholders,

First and foremost, I would like to thank you for taking time from your busy schedule to attend this shareholders' meeting. On behalf of **edt**, I would like to express my upmost appreciation for your support and encouragement.

The results of our operating performance in 2017 and outlook for the future are as following:

### **2016 Business Report**

#### 1. Operating Performance

Though consolidated net operating revenue in 2017 totaled NT\$3,005,136 thousand has a decrease of 5.47% under NT\$3,178,919 thousand in 2016, overall gross profit has maintained the performance due to the effects of continuing proportional increase in product portfolio combining Capacitive Touch Panel (CTP) and Thin Film Transistor Liquid Crystal Display (TFT). Due to the unfavorable exchange rates, the consolidated net income was decreased to NT\$55,571 thousand and earnings per share were NT\$0.33.

LCD panels and modules make up around 70% of total sales. Because of increased demand from individual clients, Capacitive Touch Panel (CTP) make up more than 30% of sold amount and this has a positive effect on long-term set profit growth and effective capacity utilization.

Looking back on the past year, although there were still many unfavorable macro-environmental elements and the Capacitive Touch Panel (CTP) industry has entered a mature low margin stage, we continued to enhance and improve the touch function of Capacitive Touch Panel (CTP) for diverse small niche markets to service the market demand of various emerging applications that accompany the growth of the "Internet of Things" and expect to achieve stable profit growth.

The diverse development of capacitive touch function will deepen with the growth of emerging application markets. Encouraged by the improvement of various wireless information transmission technologies and medium-high end mobile computing products, simple and intuitive user interface design will become the mainstream for interactive information display control. Innovation in projected capacitive technology still awaits the touch panel industry to research and develop.

In the competitive environment of the diversified customized demand market, edt has always corresponded material application and software design with manufacturing process innovation, implemented professional and technical services, and is committed to the improvement of production yield rate and efficiency as well as effective operating cost control. Holding up to the support of our shareholders, we facilitate the best allocation of company resources and strive to achieve the set operating goals.

## 2. Consolidated financial results & profitability analysis

Unit: NT\$ thousands

	2017	2016
Operating profit	104,516	184,395
Non-operating income and expenses	(37,308)	31,589
Profit before tax	67,208	215,984
Net profit	55,571	187,846
Return on assets	1.85%	5.48%
Return on shareholders' equity	2.81%	9.04%
Pre-tax income to paid-in capital	3.66%	11.08%
Profit ratio	1.85%	5.91%
Earnings per share (NT\$)	0.33	1.03

## 3. Research and development Status

(1) From the establishment of **edt**, the research and development of new technology has been highly valued. We spare no effort in improving product quality and developing new varieties. Research and development results of 2017 are as following:

Item	R&D Results	Description of Benefits
1	Large Size GGG CTP Development by FMM Technology (21.5"~27")	Introduce new technology of Fine Metal Mask (FMM) and collaborate with laser etching to develop by new dry process. At present, 21.5" GGG products have been developed.
2	DITO Structure Touch Panel Development by FMM Technology	Introduce new technology of Fine Metal Mask (FMM) and collaborate with laser etching to develop DITO CTP products by new dry process. At present, 7" DITO CTP products have been developed.
3	Narrow Border / Bezel-less CTP Development	Through Glass Via(TGV) and Through Film Via(TFV) are meant to drill hole on substrate and fill the paste in hole so as to conduct circuit between topside and backside , which can reduce the trace area to reach the narrow border. Drilling hole by laser can attain 50 μm diameter and the paste is screen-printed by Ag material.
4	ECD (Electrochromic Device) Development	Our Electrochromic Device(ECD) is made by entirely solid and inorganic materials. It is able to switch between a transparent ("bleached") state and a colored state when a voltage is applied. These devices can be applied to glare attenuation in automobile rearview mirrors. At present, 10.1" ECD product have been developed.
5	Microchip maXTouch Solution Development	We have been trained by Microchip to be the Microchip module partner. Now we have several projects including 4.3", 4.8" and 7", which are in development.

6	Gesture Recognition Technology Development	Develop 3D gesture technology with TI IC (FDC2214). Now we have made some easy gestures, and will develop more and better gestures in the near future.
7	3D Holographic Projection System with Touch-Gesture and Multi-view Functionality	Integrate 3D gesture functionality with 3D holographic projection system. Now we can operate 3D holographic projection system by using gestures to control static pictures and video operation.
8	Embedded Display Product	Our smart embedded solution is using the MCU system to combine the TFT-LCD and CTP to develop edt's product. We had complete three type embedded product including 4.3", 7" and 10.1".
9	Patent Application	Number of patent proposals totaled 11. Number of patent grants totaled 14 (proposals accumulated in the previous years).

## (2) Future research and development projects and corresponding budget

In response to the vast market of increasingly popular interaction displays, we plan on investing NT\$102,330 thousand into research and development in 2018. In addition to sparing no effort in the research and development of existing areas, we are also quite prepared for new application related software / hardware technologies, such as touch function, somatosensory technology, and embedded system software. Future research and development projects are as follows:

- ◆ High Sensitive PolyTouch Sensor (GGG×PolyTouch)
- ◆ LCM Backlight with Quantum Dots(QDs) Enhancement Film Technology Development
- ◆ Transparency Display with ECD (Electrochromic Device) Development
- ◆ Guest-Host(GH) LCD Device Development (Flexible Liquid-Crystal Display)
- ◆ Microchip maXTouch Solution Development
- ◆ Gesture Recognition Technology Development
- ◆ 3D Holographic Projection System with Touch-Gesture and Multi-view Functionality
- ◆ Embedded Display Product

## **Summary of Business Plan for 2018**

### 1. Business objectives

(1) Develop new technologies and products to expand market.

- ① Enhance touch function of CTP.
- ② Develop product / technology of somatosensory application.
- ③ Develop product / technology of ECD.

- (2) Develop effective business model for CTP+TFT module.
  - ① Optimization of optical bonding process.
  - ② Develop embedded display solution.
- (3) Utilize knowledge management and construct intelligent factory.
  - ① Enhance the management ability of quality indicators through PLM platform.
  - ② Lean production of MES.
  - ③ Lean production of APS.
- (4) Enhance efficacy of research and development.
  - ① Raise the quality and quantity of internal research report.
  - ② Develop the ability of independent designing software / firmware.

## 2. Expected sales numbers and its basis

### (1) Expected sales numbers for 2018:

With the rise of global economy, the sales numbers for 2018 is expected to be:

- |                          |                      |
|--------------------------|----------------------|
| ① STN module             | 4,200 thousand units |
| ② TFT module             | 2,400 thousand units |
| ③ Capacitive Touch Panel | 900 thousand units   |

### (2) Basis for expected sales numbers of 2018:

- ① With the emerging trend of various pan-intelligent products, applications for internet of things, and wearable devices, the future market demand and application of touch panels will continue to grow.
- ② The considerable growth potential for small and medium size TFT panels in consumer and pan-industrial electronic products can drive up the sale of TFT modules.
- ③ Integrated touch display design has become the mainstream gradually with various application market and the customization requirements are relatively high. We believe that there will be a yearly double-digit growth for solutions of touch function combined with display panel.

## 3. Key sales strategies

- (1) Continuous technological development of the CTP manufacturing process and its material, as well as lamination technology of related touch sensors and display panels.
- (2) Actively develop new high added value products and markets, such as large size products and small and medium size embedded displays.
- (3) Research and develop curved surface touch technology for bonding curved glass and film or glass sensor, full lamination technology of display LCD and touch panel modules, and improvement of production yield rate.

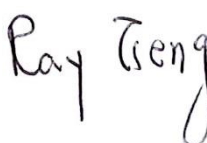
## **Future Development Strategies**

1. Focus on the innovative technology development of Capacitive Touch Panel (CTP) and continuous proportional increase of Capacitive Touch Panel products.
2. Enhance TFT LCD design ability, actively seek out sales orders for TFT, and satisfy the different needs of clients.
3. Continuously enhance design development of pan-industrial control application products to maintain future growth and profitability. Develop embedded system solution, assist the customer in integrated software, firmware and hardware design, and further differentiate and provide high value-added.
4. Actively build IP strategies and invest in research and development to extend into futuristic product technology and seize prior opportunity into high margin markets.
5. Improve the service quality for major clients via the technical service function of overseas channels.

## **The Impact of the External Competitive Environment, Regulatory Environment and Macroeconomic Conditions**

1. In response to EU RoHS and REACH regulations as well as consideration of environmental climate change caused by the greenhouse effect, we will actively work with supplies and vendors in corresponding managerial activities that save energy and reduce carbon emission to comply with environmental trends and enhance product competitiveness.
2. Due to industry characteristics and the overall environment, the average selling price is declining gradually and is bound to affect the increase of gross margin. We will seek continuous growth in revenue and profit through product re-organization, manufacturing process improvement and more efficient supply chain management.
3. Over 90% of total operating revenue of **edt** is export in 2017. Since exchange rate fluctuations have a significant impact on us, efficient and stable financial operations will be used for risk aversion.

With dedication to becoming the leading brand with the most complete solutions of small and medium size interaction displays, **edt** stride to hold up to shareholders' expectations and achieve the basis for sustainability and stable development.

Chairman 

## II. Company Profile

2.1 Date of Incorporation: September 23, 1994.

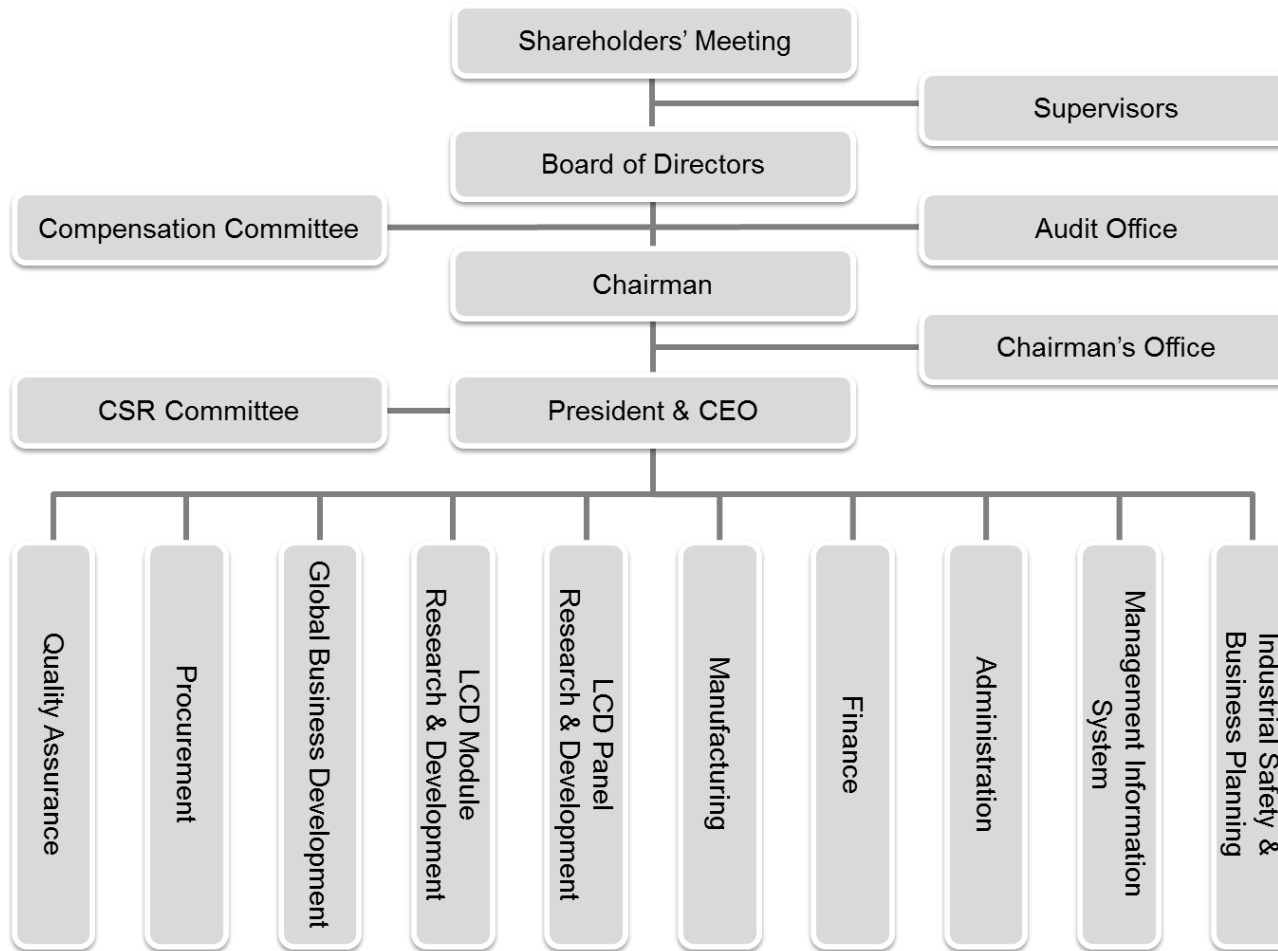
### 2.2 Company History:

Year	Milestones
1994	<ul style="list-style-type: none"> <li>Invested USD250,000 for the merger and acquisition of US distributor EMERGING DISPLAY TECHNOLOGIES CO., leading to 100% shareholdings ownership of the subsidiary.</li> </ul>
1996	<ul style="list-style-type: none"> <li>Achieved ISO 9002 Quality Certification.</li> </ul>
1997	<ul style="list-style-type: none"> <li>Achieved ISO 9001 Quality Certification.</li> </ul>
1999	<ul style="list-style-type: none"> <li>Achieved QS 9000 Quality Certification, the first LCD manufacturer in Taiwan to obtain such status.</li> </ul>
2001	<ul style="list-style-type: none"> <li>Company stock listed TPEX.</li> </ul>
2002	<ul style="list-style-type: none"> <li>Converge from TPEX listed company to TWSE listed company.</li> </ul>
2003	<ul style="list-style-type: none"> <li>Corporate headquarters moved to No.5, Central 1st Road, K.E.P.Z. Kaohsiung.</li> </ul>
2005	<ul style="list-style-type: none"> <li>Manufacturing headquarters moved to No.5, South 3rd Road, K.E.P.Z. Kaohsiung.</li> <li>First stage expansion of China Dong Guan factory completed.</li> </ul>
2006	<ul style="list-style-type: none"> <li>Achieved TS16949 Quality Certification.</li> </ul>
2012	<ul style="list-style-type: none"> <li>Achieved OHSAS 18001 Quality Certification.</li> <li>Full lamination optical bonding manufacturing process of Thin Film Transistor Liquid Crystal Display (TFT) and Capacitive Touch Panel (CTP) modules development completed.</li> <li>Extended cooperation with current major e-book clients to develop CTP for their full range of tablet products.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Co-development of Touch On Lens (TOL) technology with a major Japanese glass manufacturer and expansion into the automotive market.</li> <li>Mass production of TFT and CTP full lamination, shipments totaled 100,000 pieces for one month.</li> </ul>
2014	<ul style="list-style-type: none"> <li>Import of laser etching dry process to manufacture Film Sensor.</li> <li>Development of embedded touch technology application for manufacturing process to strengthen the application competitiveness of future products.</li> </ul>
2015	<ul style="list-style-type: none"> <li>Mass production and shipment of touch module designed for an internationally renowned robot, thus elevating the company's visibility and expanding into market applications of relevant products for Internet of Things (IoT).</li> <li>Achieved compliance and obtained product design from top three rugged tablet clients, thus deepening the high-end market and improving the gross margin of products.</li> </ul>
2016	<ul style="list-style-type: none"> <li>Mass production of monitor module supplied for internationally renowned large plants, confirming the capability of strict quality level in medical market and long-term supply guarantee.</li> <li>Obtained AVN touch module design of international brands, improving the market visibility for the capability of supplying on-vehicle products.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Successfully developed the renowned white goods case, implemented automatic equipment of optical bonding assemble, and further elevated and expanded the customized service.</li> <li>Successfully obtained the cases of hardware and software embedded design in netcom phone brand to expand the appliance in the Embedded Display market.</li> </ul>

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organization Structure



### **3.1.2 Major Corporate Functions**

- Chariman: Overall management of all company affairs in accordance with the resolutions of Shareholders' Meetings and meetings of the Board of Directors.
- Audit Office: Audit and improvement proposals for the internal control systems of sales, finance, accounting, and general affairs.
- Compensation Committee: Policy and structure evaluation of salaries to directors, supervisors, and managerial personnel. Also, suggestions to the board of directors may be references for decisions.
- Chairman's Office: Business management, public relations, organization communication and coordination.
- President & CEO: By order of the board of directors and the chairman to engage and manage all company policies, systems, decisions and legal affairs of projects, strategy planning, and integration of technical units.
- CSR Committee: Coordination of overall corporate social responsibility policy and strategy goal settings, matters such as follow up of progress in action and performance improvements, and preparation as well as issuance of annual corporate social responsibility report.
- Quality Assurance: Quality assurance and control as well as reliability evaluation and assurance.
- Procurement: Purchase of materials and assets, and supplier management.
- Global Business Development: Development and expansion of demand market as well as technical support of business development.
- LCD Module Research & Development: Design and development of new technologies and products for module.
- LCD Panel Research & Development: Design and development of new technologies and products for panel.
- Manufacturing: Manufacturing of liquid crystal display panels and modules, overall production and processing schedule planning, resources planning management, warehouse management, introducing the mass production, setting and improving the production process, developing and introducing new process, and evaluating / planning / examining production equipments.
- Finance: Financial planning, capital allocation, interaction with banks, budget preparation and control, cost control, accounting, stock-related affairs, major investments, and overseas subsidiaries management.
- Administration: Overall matters such as company personnel, general affairs, documentation, on-the-job training, and corporate governance.
- Management Information System: Provision of software and hardware equipment as well as support and backup of relevant accounting system.
- Industrial Safety & Business Planning: Industrial safety and hygiene, waste disposal, and regular maintenance of environmental and electronic facilities.

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

As of April 9, 2017

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
							Chairman	R.O.C.	Tseng, Jui-Ming	Male	Jun. 2, 2015	3	Sep. 14, 1994	11,043,723			4.88%	11,043,723	6.02%
Director	R.O.C.	Hsieh, Hui-Tai	Female	Jun. 2, 2015	3	Jun. 8, 2006	6,486,867	2.87%	6,486,867	3.54%	366,281	0.20%	0	0.00%	San Sin High School, Taiwan / Director of Jen Da Transportation	None	Chairman	Tseng, Jui-Ming	In-law
Director	R.O.C.	Ying Dar Investment Development Corp.	None	Jun. 2, 2015	3	Jun. 8, 2006	5,346,672	2.36%	5,346,672	2.92%	0	0.00%	0	0.00%	None	None	None	None	None
Representative of Director	R.O.C.	Ying Dar: Wang, Tai-Kuang	Male	Jun. 2, 2015	3	Jun. 8, 2006	1,626,487	0.72%	1,626,487	0.89%	1,702,047	0.93%	0	0.00%	Master, NCU of Physics and Astronomy, Taiwan / Solomon Technologies Corp.	President & CEO of the Company	Supervisor	Lin, Yu-Fen	Spouse
Director	R.O.C.	Bae Haw Investment Development Corp.	None	Jun. 2, 2015	3	Jun. 8, 2006	3,447,716	1.52%	3,447,716	1.88%	0	0.00%	0	0.00%	None	None	None	None	None
Representative of Director	R.O.C.	Bae Haw: Hsieh, Wen-Hsiung	Male	Jun. 2, 2015	3	May 2, 2013	261,253	0.12%	261,253	0.14%	0	0.00%	0	0.00%	Bachelor, Accounting, Feng Chia University, Taiwan / Yuanta Securities Corp.	Vice President & Chairman's Special Assistant of the Company	None	None	None
Director	R.O.C.	Ti Fu Investment Corp.	None	Jun. 2, 2015	3	Jun. 10, 2009	56,406	0.02%	56,406	0.03%	0	0.00%	0	0.00%	None	None	None	None	None
Independent Director	R.O.C.	Li, Chi-Cheng	Male	Jun. 2, 2015	3	Jun. 2, 2015	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D, MBA, National Cheng Kung University, Taiwan / Lecturer of Fooyin University / Professor of Cheng Shiu University	Representative of supervisor of Yung Chi Paint & Varnish Mfg. Co., Ltd.	None	None	None
Independent Director	R.O.C.	Huang, Fu-Di	Male	Jun. 2, 2015	3	Jun. 2, 2015	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor, Statistics, Feng Chia University, Taiwan / KPMG	Supervisor of Taiwan Fushing Industry Corp.	None	None	None
Supervisor	R.O.C.	Lin, Yu-Fen	Female	Jun. 2, 2015	3	May 23, 2000	1,702,047	0.75%	1,702,047	0.93%	1,626,487	0.89%	0	0.00%	Master, Industrial Economics, NCU, Taiwan / Hotung Investment Co. Ltd.	None	President & CEO	Wang, Tai-Kuang	Spouse
Supervisor	R.O.C.	Tseng, Shu-Ling	Female	Jun. 2, 2015	3	May 27, 2004	1,867,209	0.83%	1,621,209	0.88%	1,553	0.00%	0	0.00%	Bachelor, Insurance, Ming Chuan University, Taiwan	None	Chairman	Tseng, Jui-Ming	Siblings
Supervisor	R.O.C.	Chu, Min	Male	Jun. 2, 2015	3	Jun. 2, 2015	110,067	0.05%	110,067	0.06%	0	0.00%	0	0.00%	Ph.D., Engineering, University of Southern California, USA / Director of Chung Hung Steel	China Steel Corp.	None	None	None

Note 1: Tseng, Shu-Ling did not serve as Supervisor during June 12, 2001 to May 26, 2004.

Note 2: Chu, Min served as Director during June 10, 2009 to June 2, 2015 and served as Supervisor starting from June 2, 2015.

### Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders
Ying Dar Investment Development Corp.	Emerging Display Technologies Corp. (100%)
Bae Haw Investment Development Corp.	Emerging Display Technologies Corp. (100%)
Ti Fu Investment Corp.	TYC Brother Industrial Co., Ltd (100%)

### Major shareholders of the Company's major institutional shareholders

Name of Institutional Shareholders	Major Shareholders
Not Applicable	

### Professional qualifications and independence analysis of directors and supervisors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director		
			1	2	3	4	5	6	7	8	9	10			
Tseng, Jui-Ming	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company							✓	✓		✓	✓	0
Hsieh, Hui-Tai				✓	✓		✓	✓		✓	✓	✓	✓	✓	0
Ti Fu Investment Corp.				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang				✓		✓			✓	✓			✓		0
Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung				✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Li, Chi-Cheng	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Fu-Di				✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Lin, Yu-Fen				✓	✓			✓	✓	✓		✓	✓	✓	0
Tseng, Shu-Ling				✓	✓			✓	✓	✓		✓	✓	✓	0
Chu, Min				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with Securities and Exchange Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.2 Management Team

As of April 13, 2018

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President & CEO	R.O.C.	Wang, Tai-Kuang	Male	Mar. 10, 2004	1,626,487	0.89%	1,702,047	0.93%	0	0.00%	Master, Physics and astronomy, NCU Taiwan / Solomon Technologies Corp.	None	None	None	None
Vice President	R.O.C.	Lin, Ho-Hsing	Male	Mar. 1, 2001	853,424	0.47%	841,482	0.46%	0	0.00%	Master, University of South Australia / Hitachi	None	None	None	None
Vice President	R.O.C.	Huang, Mao-Hsiung	Male	Mar. 1, 2003	1,674,536	0.91%	0	0.00%	0	0.00%	EMBA, National Sun Yat-sen University, Taiwan / Hitachi	None	None	None	None
Vice President	R.O.C.	Yu, Cheng-Chung	Male	Mar. 1, 2014	640,882	0.35%	68,122	0.04%	0	0.00%	Bachelor, International business, CYCU, Taiwan / Grand Pacific Optoelectronics Corp.	None	None	None	None
Vice President & Chairman's Special Assistant	R.O.C.	Hsieh, Wen-Hsiung (Note)	Male	Mar. 8, 2017	261,253	0.14%	0	0.00%	0	0.00%	Bachelor, Accounting, Feng Chia Universiday, Taiwan / Yuanta Securities Corp.	None	None	None	None
Vice President	R.O.C.	Kao, Neng-Sen	Male	Mar. 1, 2018	43,459	0.02%	0	0.00%	0	0.00%	Master, Material science and engineering, I-Shou University, Taiwan / Yu-Chun Corp.	None	None	None	None
Financial Officer	R.O.C.	Huang, Hsiu-Wen (Note)	Female	Mar. 8, 2017	184,862	0.10%	17,404	0.01%	0	0.00%	MBA, CUNY, Baruch College, USA / Yuanta Securities Corp.	None	None	None	None
Accounting Officer	R.O.C.	Kuo, Kun-Ho (Note)	Male	Mar. 8, 2017	10,000	0.01%	0	0.00%	0	0.00%	Bachelor, Accounting, Tunghai University, Taiwan / Gallant Ocean International Inc.	None	None	None	None

Note: The former Financial & Accounting Officer Hsieh, Wen-Hsiung was promoted to the Vice President & Chairman's Special Assistant. The former Internal Audit Officer Huang, Hsiu-Wen was transferred to serve as the Financial Officer. Kuo, Kun-Ho was appointed as the Accounting Officer. The HR change proposal was passed by the board of directors meeting on March 8, 2017.

### 3.3 Remuneration of Directors, Supervisors, President, and Vice President

#### 3.3.1 Remuneration of Directors

Unit: NT\$ thousands / thousand shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation(G)								
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		All companies in the consolidated financial statements		The company	All companies in the consolidated financial statements			
Chairman	Tseng, Jui-Ming																					
Director	Hsieh, Hui-Tai																					
Director	Ying Dar Investment Development Corp.																					
Representative of Director	Ying Dar: Wang, Tai-Kuang																					
Director	Bae Haw Investment Development Corp.	4,897	4,897	None	None	1,663	1,663	280	280	12.59%	12.59%	5,828	5,828	148	148	236	None	236	None	24.03%	24.03%	None
Representative of Director	Bae Haw: Hsieh, Wen-Hsiung																					
Director	Ti Fu Investment Corp.																					
Independent Director	Li, Chi-Cheng																					
Independent Director	Huang, Fu-Di																					

In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Hsieh, Hui-Tai / Ying Dar Investment Development Corp. / Wang, Tai-Kuang / Bae Haw Investment Development Corp. / Hsieh, Wen-Hsiung / Ti Fu Investment Corp. / Li, Chi-Cheng / Huang, Fu-Di	Hsieh, Hui-Tai / Ying Dar Investment Development Corp. / Wang, Tai-Kuang / Bae Haw Investment Development Corp. / Hsieh, Wen-Hsiung / Ti Fu Investment Corp. / Li, Chi-Cheng / Huang, Fu-Di	Hsieh, Hui-Tai / Ying Dar Investment Development Corp. / Bae Haw Investment Development Corp. / Ti Fu Investment Corp. / Li, Chi-Cheng / Huang, Fu-Di	Hsieh, Hui-Tai / Ying Dar Investment Development Corp. / Bae Haw Investment Development Corp. / Ti Fu Investment Corp. / Li, Chi-Cheng / Huang, Fu-Di
NT\$2,000,001 ~ NT\$5,000,000	Tseng, Jui-Ming	Tseng, Jui-Ming	Tseng, Jui-Ming / Wang, Tai-Kuang / Hsieh, Wen-Hsiung	Tseng, Jui-Ming / Wang, Tai-Kuang / Hsieh, Wen-Hsiung
NT\$5,000,001 ~ NT\$10,000,000	None	None	None	None
NT\$10,000,001 ~ NT\$15,000,000	None	None	None	None
NT\$15,000,001 ~ NT\$30,000,000	None	None	None	None
NT\$30,000,001 ~ NT\$50,000,000	None	None	None	None
NT\$50,000,001 ~ NT\$100,000,000	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	9	9	9	9

### 3.3.2 Remuneration of Supervisors

Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Supervisor	Lin, Yu-Fen	None	None	423	423	120	120	1.00%	1.00%	None
Supervisor	Tseng, Shu-Ling									
Supervisor	Chu, Min									

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Lin, Yu-Fen / Tseng, Shu-Ling / Chu, Min	
NT\$2,000,001 ~ NT\$5,000,000	None	None
NT\$5,000,001 ~ NT\$10,000,000	None	None
NT\$10,000,001 ~ NT\$15,000,000	None	None
NT\$15,000,001 ~ NT\$30,000,000	None	None
NT\$30,000,001 ~ NT\$50,000,000	None	None
NT\$50,000,001 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	3	3

### 3.3.3 Remuneration of the President and Vice President

Unit: NT\$ thousands / thousand shares

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President & CEO	Wang, Tai-Kuang	12,537	12,537	518	518	4,217	4,217	390	None	390	None	32.52%	32.52%	None
Vice President	Lin, Ho-Hsing													
Vice President	Huang, Mao-Hsiung													
Vice President	Li, Shu-Tien (Note 1)													
Vice President	Yu, Cheng-Chung													
Vice President & Chairman's Special Assistant	Hsieh, Wen-Hsiung (Note 2)													
Vice President	Kao, Neng-Sen (Note 3)													

Note 1: Li, Shu-Tien retired on February 28, 2017.

Note 2: Hsieh, Wen-Hsiung was promoted to the Vice President & Chairman's Special Assistant on March 8, 2017.

Note 3: Kao, Neng-Sen was promoted to the Vice President on March 1, 2018.

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Li, Shu-Tien / Kao, Neng-Sen	Li, Shu-Tien / Kao, Neng-Sen
NT\$2,000,001 ~ NT\$5,000,000	Wang, Tai-Kuang / Lin, Ho-Hsing / Huang, Mao-Hsiung / Yu, Cheng-Chung / Hsieh, Wen-Hsiung	Wang, Tai-Kuang / Lin, Ho-Hsing / Huang, Mao-Hsiung / Yu, Cheng-Chung / Hsieh, Wen-Hsiung
NT\$5,000,001 ~ NT\$10,000,000	None	None
NT\$10,000,001 ~ NT\$15,000,000	None	None
NT\$15,000,001 ~ NT\$30,000,000	None	None
NT\$30,000,001 ~ NT\$50,000,000	None	None
NT\$50,000,001 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	7	7

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President & CEO	Wang, Tai-Kuang	None	477	477	0.88%
	Vice President	Lin, Ho-Hsing				
	Vice President	Huang, Mao-Hsiung				
	Vice President	Yu, Cheng-Chung				
	Vice President & Chairman's Special Assistant (Note 1)	Hsieh, Wen-Hsiung				
	Vice President (Note 2)	Kao, Neng-Sen				
	Financial Officer (Note 1)	Huang, Hsiu-Wen				
	Accounting Officer (Note 1)	Kuo, Kun-Ho				

Note 1: The former Financial & Accounting Officer Hsieh, Wen-Hsiung was promoted to the Vice President & Chairman's Special Assistant. The former Internal Audit Officer Huang, Hsiu-Wen was transferred to serve as the Financial Officer. Kuo, Kun-Ho was appointed as the Accounting Officer. The HR change proposal was passed by the board of directors meeting on March 8, 2017.

Note 2: Kao, Neng-Sen was promoted to the Vice President on March 1, 2018.

### 3.3.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

	2017	2016	The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance
Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	46.11%	16.32%	The remuneration of directors and supervisors was approved by the Board of Directors based on the STN-LCD industry's standard. As to the remuneration of president and vice presidents, it was based on individual's performance and their contribution to the Company as well as industry's standard. Although total remuneration was decreased, this ratio became higher due to 2017 net income was decreased by 71.07% than 2016.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Tseng, Jui-Ming	7	0	100%	Re-elected on June 2, 2015
Director	Hsieh, Hui-Tai	6	0	86%	Re-elected on June 2, 2015
Director	Ti Fu Investment Corp.	0	0	0%	Re-elected on June 2, 2015
Director	Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang	7	0	100%	Re-elected on June 2, 2015
Director	Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	7	0	100%	Re-elected on June 2, 2015
Independent Director	Li, Chi-Cheng	7	0	100%	Newly elected on June 2, 2015
Independent Director	Huang, Fu-Di	7	0	100%	Newly elected on June 2, 2015
Supervisor	Lin, Yu-Fen	7	0	100%	Re-elected on June 2, 2015
Supervisor	Tseng, Shu-Ling	0	0	0%	Re-elected on June 2, 2015
Supervisor	Chu, Min	5	0	71%	Newly elected on June 2, 2015

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.
- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.

The dates of the meetings and sessions	Contents of motion and the company's responses	Matters referred to in Article 14-3 of the Securities and Exchange Act	Matters involving objections or expressed reservations by independent directors
March 8, 2017 21 <sup>th</sup> of 8 <sup>th</sup> session	♦ To discuss the distribution of 2016 employees' compensation and remuneration for directors and supervisors.	✓	
	♦ To discuss the amendment of "Regulations Governing the Acquisition and Disposal of Assets".	✓	
	♦ To discuss the amendment of internal control system, version 15.	✓	
	♦ To discuss remuneration adjustments of 2017 for the Chairman and managerial employees.	✓	
	♦ To discuss the HR change for Financial Officer, Accounting Officer and Internal Audit Officer.	✓	
	Independent directors' opinions: None. The company's responses: None. Resolution: Passed unchanged by all directors present.		
August 1, 2017 23 <sup>th</sup> of 8 <sup>th</sup> session	♦ To discuss the distribution details of 2016 employees' compensation and remuneration for directors and supervisors.	✓	
	Independent directors' opinions: None. The company's responses: None. Resolution: Passed unchanged by all directors present.		
November 8, 2017 24 <sup>th</sup> of 8 <sup>th</sup> session	♦ To discuss and review of all remunerations of 2018 for directors, supervisors, and managerial personnel.	✓	
	♦ To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2017.	✓	
	♦ To discuss the amendment of "Regulations Governing the Acquisition and Disposal of Assets".	✓	
	Independent directors' opinions: None. The company's responses: None. Resolution: Passed unchanged by all directors present.		

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

The dates of the meetings and sessions	Contents of motion	The directors' names	Causes for avoidance	Voting
November 8, 2017 24 <sup>th</sup> of 8 <sup>th</sup> session	To discuss and review of all remunerations of 2018 for directors, supervisors, and managerial personnel.	Tseng, Jui-Ming / Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang / Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	Because the mentioned directors served as the Chairman or manager of the Company, they should be avoidance in accordance with the "Rules of Procedure for Board of Directors Meetings".	This motion was approved by the remaining directors.
	To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2017.	Tseng, Jui-Ming / Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang / Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	Because the mentioned directors serve as the Chairman or manager of the Company, they should be avoidance in accordance with the "Rules of Procedure for Board of Directors Meetings".	This motion was approved by the remaining directors.

3. Measures taken to strengthen the functionality of the board:

(1) Enhancement for function of the Board of Directors

Election of directors and supervisors was held on June 2, 2015. Directors and supervisors have neither a spousal relationship nor a relationship within the second degree of kinship with any other supervisor or with any director, with the exceptions of company representative Wang, Tai-Kuang and supervisor Lin, Yu-Fen (spouse), director Tseng, Jui-Ming and supervisor Tseng, Shu-Ling (siblings), director Tseng, Jui-Ming and director Hsieh, Hui-Tai (in-laws).

In accordance with the "Regulations Governing Procedure for Board of Directors Meeting of Public Companies" released by the Financial Supervisory Commission, "Rules of Procedure for Board of Directors Meetings" was adopted on December 26, 2006 and revisions were continuously made. The Board of Directors functions in accordance with the "Rules of Procedure for Board of Directors Meetings" during this time. "Evaluation Regulations of the Board's Performance" was also adopted and approved by the Board of Directors on November 8, 2017 to implement corporate governance and enhance the Company's board functions.

In addition, several members of the Board have attended continuing education courses that are related to corporate governance during their term in office. The courses are organized by institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies.

(2) Improvement for information transparency

Financial reports are periodically verified and audited by the accounting firm - KPMG. All disclosure of information required by law and regulations are executed accurately and timely. To ensure all significant information is disclosed promptly and related financial information can be found by shareholders and stakeholders on the Market Observation Post System website, a designated specialist is responsible for the collection and disclosure of company information. There is also the establishment of the spokesperson and deputy spokesperson system.

**3.4.2 Audit Committee or Attendance of Supervisors at Board Meetings:** An audit committee has not been established. The state of participation in board meetings by the supervisors are as following:

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【B/A】	Remarks
Supervisor	Lin, Yu-Fen	7	100%	Re-elected on June 2, 2015
Supervisor	Tseng, Shu-Ling	0	0%	Re-elected on June 2, 2015
Supervisor	Chu, Min	5	71%	Newly elected on June 2, 2015

Other mentionable items:

1. Composition and responsibilities of supervisors:

- (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): Specialist will contact the supervisors whenever necessary and supervisors will attend shareholders' meeting, thus establishing the channel of communication between company employees and shareholders.
- (2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.): Supervisors can communicate with internal auditor and CPA regarding finance and business, and attend the Board Meetings to hear reports from directors and managerial employees as well as participate in discussions and decision making. Communication status during 2017 was as follows:

Communicator	Date	Communication points	Results of communication
Chief internal auditor	March 8, 2017	<ul style="list-style-type: none"> <li>◆ 2016 Q4 internal audit report.</li> <li>◆ Implementation report of ethical corporate management.</li> </ul>	No comment
	May 9, 2017	<ul style="list-style-type: none"> <li>◆ 2017 Q1 internal audit report.</li> <li>◆ Implementation report of ethical corporate management.</li> </ul>	No comment
	August 1, 2017	<ul style="list-style-type: none"> <li>◆ 2017 Q2 internal audit report.</li> <li>◆ Implementation report of ethical corporate management.</li> </ul>	No comment
	November 8, 2017	<ul style="list-style-type: none"> <li>◆ 2017 Q3 internal audit report.</li> <li>◆ Implementation report of ethical corporate management.</li> </ul>	No comment
CPA	March 8, 2017	<ul style="list-style-type: none"> <li>◆ Responsibilities of auditing financial statements, audit scope, audit findings, and independence declaration of auditors.</li> <li>◆ Important revision of laws and regulations.</li> </ul>	No comment
	December 28, 2017	<ul style="list-style-type: none"> <li>◆ Related items of reviewing consolidated financial statements for the nine months ended September 30, 2017.</li> <li>◆ Independence declaration of auditors.</li> <li>◆ Audit plan for 2017.</li> <li>◆ Important revision of accounting principles and laws of securities management and tax.</li> </ul>	No comment

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None.

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Market Observation Post System website and the Company’s website.	None.
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has designated a spokesperson and deputy spokesperson responsible for the handling of issues such as suggestions or dispute from shareholders.	None.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		Stock related divisions handle related matters and accurately perceive significant shares transactions of shareholders.	None.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The Company and its affiliated companies operate independently. Codes for the establishment and management of subsidiaries have been set forth. Regular and timely auditing will be conducted by audit office, finance department or CPA.	None.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		The “Codes for Ethical Management” and “Procedure of the prevention of insider trading” implemented, regulates the Company’ employees to follow provision of the Securities and Exchange Act and not to use undisclosed information to engage in insider trading.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>The Company has set up the policy of diversified members of the Board under Article 20 of the “Corporate Governance Practice Principles”, including considerations of the basic condition and value of the members of the Board (e.g. gender, age, nationality, and culture) and the professional knowledge and skills (e.g. law, accounting, industry, finance, marketing, or technology). In order to reach the ideal goal of corporate governance, the Board shall have the overall capability of operation management, leadership and decision making, knowledge in the industry, and financial accounting. The implementation of this policy is listed in Note 1 and disclosed on the Company’s website.</p>	None.
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>		✓	<p>The Company currently only has a compensation committee and is planning on establishing an audit committee in 2021. There are no committees of any other function.</p>	<p>Not in accordance with Article 27 of “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. Considering the simplicity of the current business volume, there is no urgent need. Once business volume has expanded to a certain extent, establishment will be as required.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually	✓		<p>The Company has set up the “Evaluation Regulations of the Board’s Performance” and implemented after the approval of the Board on November 8, 2017. Regulation stated that evaluation of the Board’s performance shall be executed once a year, including the overall Board performance and individual director member. Evaluation method includes self evaluation of the Board and self evaluation of the director member. 2017 evaluation of the Board’s performance was completed in the beginning of 2018. The result was proposed at the Board meeting on March 14, 2018. The achieving rate of self evaluation on the overall Board performance was 98%; whereas on the individual director member was 94%. The Board has done well in items as company goal and mission, acknowledgement of self duty, and internal control system. There is room for improvement in continuing advanced studies. The overall performance still looks good. The corporate governance unit will reinforce on the advance notice and planning of education and training in the future to increase the hour and the willingness of the director for advanced studies.</p>	None
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>The CPA accounting firm for the Company is KPMG. Referencing “Statements of Auditing Standards” (SAS) and “The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10”, the Company assesses the independence and suitability of CPA annually through questionnaires to ensure the Company and its subsidiaries or affiliated companies have no conflicting interests with the accountants. Items of assessment include the independence and objectiveness of their financial interests, business relations as well as family and personal relations. Yang, Po-Jen and Chen, Kuo-Tsung, CPA for year 2016 and 2017, have achieved the Company’s standards of the independence after evaluation. The independence questionnaires (as Note 2) and “confirmation of independence” provided by CPA were submitted to and passed by the board of directors meeting held on April 29, 2016 and May 9, 2017..</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>The Company sets up a position of “corporate governance executive” under the Administration Department, and assigns “corporate governance unit” as the planning unit for corporate governance to ensure shareholders' rights and reinforce the duty of the Board. Its main responsibilities are to provide the information for the directors and supervisors to perform their duty and learn about the latest rules and regulations for company operation, which would help them to follow the rules. The chief responsible person of the unit is Director of the Administration Department with a minimum of three year experience in financial management in a public company. 2017 corporate governance operation status was listed below and proposed at the Board meeting on March 14, 2018:</p> <p>A. To implement the corporate governance, regularly (in the first quarter) conduct evaluation on the performance of the Board and the individual director based on the Company's “Evaluation Regulations of the Board's Performance”.</p> <p>B. Irregularly conduct communication meetings with CPA, independent director, supervisor, and chief internal auditor, to ensure the internal audit and internal control system is working. Communication status is disclosed on the Company's website.</p> <p>C. To make sure the Board members were informed immediately of the Company's important message, the Company will notice the Board members immediately after releasing important message.</p> <p>D. Purchase of the appropriated “Directors &amp; Supervisors Liability Insurance”.</p> <p>E. Plan the agenda for a Board's meeting and send notice to the directors and supervisors seven days before the meeting. Conduct the meeting and provide meeting data. Send notice ahead on proposal items with conflicts of interest and complete the meeting minutes with twenty days after the meeting.</p> <p>F. Prepare the meeting notice, handbook, and meeting minutes of shareholders' meeting before the deadline.</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company respects the rights of the stakeholders. By identifying the stakeholders and with proper communication and involvement of stakeholders, the Company can understand the reasonable expectations and needs and therefore response properly to the major corporation social responsibility issue that concerned the stakeholders. The Company has set up a section for the stakeholders on the official website to disclose and communicate the major issues that concerned the stakeholders. Details in Note 3. Also prepare the corporation social responsibility report on the Company’s website of reference for the stakeholders. Besides, the Company has posted phone number and email contact information of the spokesperson and deputy spokesperson on the Market Observation Post System and the Company’s website for communication with the stakeholders.	None.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has commissioned the professional stock affairs agent - Yuanta Securities Stock Transfer Agent to handle matters of shareholders’ meetings.	None.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?  (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓  ✓		 The Company has established a website where information on financial operations and corporate governance is disclosed timely.  The Company has websites in Chinese and English. In addition to a designated specialist responsible for the collection and disclosure of company information, persons with comprehensive understanding of the company’s finance and business or are able to coordinate departments to provide relevant information are chosen as the spokesperson and deputy spokesperson and provide statements on behalf of the Company. Besides, the movie of investor conference was put on the Company’s website. All above measures are to insure the timely and full disclosure of information that may influence the decisions of shareholders and stakeholders.	None.  None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>A. In addition to paying tax for annual earnings, the Company fulfils its national and social responsibility by purchasing group accident insurance for its employees and allowing employees and their families to have peace of mind.</p> <p>B. Significant information of the Company are handled according to the regulations of the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities” to ensure the rights of shareholders, stakeholders, and investors.</p> <p>C. Suitable educational courses are selected by directors, independent directors, supervisors, and managerial personnel according to their time and professional background. Status of continuing education in recent years is listed in Note 4.</p> <p>D. Execution of risk management policies and risk measuring standards: Important matters, such as major operational decisions, investments, endorsements and guarantees, loans, and financing, should be evaluated and analyzed by responsible departments and executed according to resolutions of the meeting of the Board of Directors. Responsible departments should reference the results of self-assessment to take measures and make improvements for risk control.</p> <p>E. Liability insurance purchased for directors and supervisors has a compensation limit of US\$5 million. Current insurance period is one year starts from January 18, 2018. The details of liability insurance has been submitted to the board of directors meeting held on March 14, 2018.</p>	None.
9. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year; propose the urgent matters and actions for the items not improved. (The company not listed for assessment is not required to list)				
	Indicator	Assessment result	Improvement	
	The Audit Committee is set up as required.	The Audit Committee is not set up.	It plans to set up the Audit Committee in 2021.	

Note 1: The implementation of the diversified policy for the composition of members of the board of directors is listed as below:

Name of director	Core items of diversified policy	Gender	Operation management	Leadership and decision making	Knowledge in the industry	Financial accounting
Tseng, Jui-Ming		Male	✓	✓	✓	
Hsieh, Hui-Tai		Female				✓
Ti Fu Investment Corp.		None	✓	✓		
Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang		Male	✓	✓	✓	
Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung		Male	✓	✓	✓	✓
Li, Chi-Cheng		Male	✓			
Huang, Fu-Di		Male	✓	✓		✓

Note 2: The key items of the CPA's independence assessment standards are listed as below:

Assessment item	Assessment result	Comply with independence or not
1. There is no direct or indirect material relationship of financial interests between the CPA and the Company.	Yes	Yes
2. There is no financing or guarantee conduct between the CPA and the Company or its directors/supervisors.	Yes	Yes
3. There is no close commercial relationship between the CPA and the Company.	Yes	Yes
4. There is no potential employment relationship with the Company.	Yes	Yes
5. The members of the Audit Service Team are not appointed as the director/supervisor, or manager, or take up the post that has material influence on the audit case currently or in the last two years.	Yes	Yes
6. There is no key item of non-audit service provided to the Company that will show direct influence on the audit case.	Yes	Yes
7. There is no publicity or brokerage for the shares or other securities issued by the Company.	Yes	Yes
8. S/he doesn't serve as the defender for the Company, or coordinate the conflict with a third party on behalf of the Company.	Yes	Yes
9. There is no kinship with the personnel who are appointed as the director/supervisor of the Company or take up the post that show material influence on the audit case.	Yes	Yes
10. The CPA is not requested to accept the inappropriate accounting policy or improper disclosure in the financial statement made by the managerial team.	Yes	Yes

Note 3: The major issues that concerned the stakeholders and main communication channels are listed as below:

Stakeholders	Major issues	Main communication channels and frequency
Employee	<ul style="list-style-type: none"> <li>• Market image</li> <li>• Employer-employee relations</li> <li>• Industrial relations</li> <li>• Work health and safety</li> <li>• Education and training</li> <li>• Non-discrimination</li> <li>• Diversified and equality</li> <li>• Freedom of association and group negotiation</li> <li>• Child labor</li> <li>• Force and mandatory labor</li> <li>• Human rights evaluation</li> <li>• Security practice</li> </ul>	<ul style="list-style-type: none"> <li>• Employee welfare committee (irregularly)</li> <li>• Labor-management meeting (quarterly)</li> <li>• Occupational safety and health committee (quarterly)</li> <li>• Company's internal and external website (irregularly)</li> <li>• Catering service committee ( 2~3 months)</li> <li>• Corporate social responsibility report (yearly)</li> </ul>
Customer	<ul style="list-style-type: none"> <li>• Marketing and labelling</li> <li>• Customer privacy</li> <li>• Compliance of regulations of product responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Satisfaction Survey (yearly)</li> <li>• E-mail, conference, and audit (irregularly)</li> <li>• Company's external website (irregularly)</li> <li>• Corporate social responsibility report (yearly)</li> </ul>
Supplier	<ul style="list-style-type: none"> <li>• Purchasing practice</li> <li>• Raw materials</li> <li>• Supplier's environment evaluation</li> <li>• Supplier's social impact evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier evaluation and on-site audit (irregularly)</li> <li>• Company's external website (irregularly)</li> <li>• Corporate social responsibility report (yearly)</li> </ul>

Stakeholders	Major issues	Main communication channels and frequency	
Government	<ul style="list-style-type: none"> <li>• Operation performance</li> <li>• Market image</li> <li>• Employer-employee relations</li> <li>• Force and mandatory labor</li> <li>• Compliance of environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Labor practical problem complaint system</li> <li>• Compliance of regulations of social economy</li> <li>• Customer privacy</li> <li>• Compliance of laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback related data for government's request (irregularly)</li> <li>• Participation in related union / association (irregularly)</li> <li>• Corporate social responsibility report (yearly)</li> </ul>
Stockholder / Investor	<ul style="list-style-type: none"> <li>• Economy performance</li> <li>• Anti-bribery</li> <li>• Anti-competition</li> <li>• Indirect economic impact</li> <li>• Compliance of laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Stockholders' meeting and investor conference (yearly)</li> <li>• Hotline and e-mail of spokesperson (irregularly)</li> <li>• Market Observation Post System (irregularly)</li> <li>• Company's external website (irregularly)</li> <li>• Corporate social responsibility report (yearly)</li> </ul>	
Community resident	<ul style="list-style-type: none"> <li>• Indirect economic impact</li> <li>• Greenhouse gas emission</li> <li>• Compliance of environmental regulations</li> <li>• Environmental problem complaint system</li> </ul>	<ul style="list-style-type: none"> <li>• Communications via telephone (irregularly)</li> <li>• Company's external website (irregularly)</li> <li>• Corporate social responsibility report (yearly)</li> </ul>	

**Note 4: Continuing education of directors, independent directors, supervisors, and managerial personnel:**

Title	Name	Time of education	Sponsoring Organization	Name of Course	Hours
Independent Director	Li, Chi-Cheng	May 5, 2017	Securities and Futures Institute	Insider trading and corporation social responsibility seminar	3
		Sep. 14, 2017	Taiwan Academy of Banking and Finance	Corporate governance forum - corporation sustainable operation	3
Independent Director	Huang, Fu-Di	Apr. 24, 2017	Taiwan Academy of Banking and Finance	Corporate governance forum - family business inheritance	3
		Aug 11, 2017	Securities and Futures Institute	Promoting public traded company insider equity trading regulations compliance seminar	3
Representative of Director / Vice President & Chairman's Special Assistant	Hsieh, Wen-Hsiung	May 5, 2017	Securities and Futures Institute	Insider trading and corporation social responsibility seminar	3
Financial Officer	Kuo, Kun-Ho	Jan. 19, 2017	Accounting Research and Development Foundation	Discussion of the "supervising and auditing" duty and legal responsibility of directors, supervisors, and senior executives in publicly held company - also discuss on passive, not working legal responsibility	3
		Sep. 15, 2017	Accounting Research and Development Foundation	Overall structure analysis on the latest version of IFRS	3
		Sep. 15, 2017	Accounting Research and Development Foundation	Analysis and legal responsibility discussion on international finance money laundering crime	3
		Dec. 14, 2017	Accounting Research and Development Foundation	Competent authority's policy of "approval on revised article in International Financial Reporting Standards since 2017" and relevant guidelines analysis	3
		Dec. 14, 2017	Accounting Research and Development Foundation	Influence and response of corporation to the new "Financial Statements Audit Report"	3
		Dec. 15, 2017	Accounting Research and Development Foundation	Significant changes in economy and tax policy of the Trump Era in US government and adaptive strategy of Taiwanese entrepreneurs	3
		Dec. 15, 2017	Accounting Research and Development Foundation	The key points analysis on latest situation and legal responsibility of the securities trading supervision of US and Taiwan	3

### 3.4.4 Composition, Responsibilities and Operations of the Compensation Committee

#### A. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Convener	Li, Chi-Cheng	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	None
Committee Member	Hung, Kuang-Te			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Committee Member	Huang, Fu-Di			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with Securities and Exchange Act or with the laws of the country of the parent or subsidiary.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- Not a person of any conditions defined in Article 30 of the Company Law.

#### B. Attendance of Members at Compensation Committee Meetings

There are 3 members in the Compensation Committee. A total of 3 (A) Compensation Committee meetings were held in the previous period. The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Li, Chi-Cheng	3	0	100%	Re-elected on June 2, 2015
Committee Member	Hung, Kuang-Te	2	0	67%	Re-elected on June 2, 2015
Committee Member	Huang, Fu-Di	3	0	100%	Re-elected on June 2, 2015

Other mentionable items:

- If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		“Corporate Social Responsibility Practice Principles” were adopted and revisions were continuously made. Contents cover matters such as implementing corporate governance, developing sustainable environment, preserving social welfare as well as enhancing disclosure of corporate social responsibility information, and have been disclosed on the Company website and the Market Observation Post System website. Additionally, results of corporate social responsibility policy implementation are summarized in the annual “Corporate Social Responsibility Report”.	None.
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company has conduct risk management training of “Responsible Business Alliance (RBA) Code of Conduct” for management level, and held ethical corporate management and safety hygiene courses for general employees.	None.
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<p>The Company sets up the CSR Committee under President &amp; CEO, in which the executive committee is composed of one person respectively assigned by Finance Dept., Administration Dept., Industrial Safety &amp; Business Planning Dept., Procurement Section, the Staff Benefits Committee. It holds meeting in a non-scheduled way to integrate the resources of each department to promote various CSR operations. The Committee members should hold a discussion meeting in the beginning of the year, then propose an execution plan of the year. An execution result shall be consolidated after the year ends, and be proposed to the Board of Directors once a year. The recent proposal of the execution result was on November 8, 2017. The duties of the Committee are as following:</p> <p>A. Consolidation on corporation social responsibility and goal setting for sustainable operation for the whole Company.</p> <p>B. In the beginning of every year, propose the execution plan of the year on corporation social responsibility and the execution result of the previous year to the Board of Directors.</p> <p>C. Consolidate comments of the stakeholders, also identify and manage the effect, risk, and opportunity of the corporation social responsibility to evaluate and discuss the adaptive strategy.</p> <p>D. Assist in communication with the stakeholders.</p> <p>E. Compiling the CSR report (2016 CSR report has been completed and disclosed on the Company’s website, and 2017 CSR report is expected to be done in the 3<sup>rd</sup> quarter of 2017.)</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		In accordance with Article 22-1 of the Articles of Incorporation, the Company shall allocate 5 percent or more as employees' compensation when there is profit for the current year. Also, the Company has adopted rules for remuneration, assessment, and operating procedures as well as a clear and effective system for reward and discipline.	None.
2. Sustainable Environment Development				
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The Company has commissioned qualified firms to handle the recycling of waste. In addition, recycling bins with classification of recyclable materials have been placed and internal propaganda on recycling conducted.	None.
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		To do the best of corporation responsibilities for the environmental protection and caring for employee's safety and health, the Company has set up an environmental management system on 2004 in accordance with requirements in ISO 14001. The Company was certified by the ISO 14001 on November, 2005, then certified by the ISO 14001 2015 revision on 2017. Includes RoHS cleaner production in IECQ QC080000 system on 2006, so it can set up goals for sustainable environment and review regularly.	None.
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		The Company takes the following actions for energy conservation, GHG emission reduction, water reduction and waste disposal reduction: A. Energy conservation and GHG emission reduction: The goals for 2017 were to reach 2% of energy saving and reduce 2% of GHG emission compared with the previous year. Specific actions includes improved old air hoses in production line, installed new LED lights for emergency exits and general lights, adjusted pneumatic system to the best operating mode, and raised the entrance temperature on the plate heat exchanger of the pneumatic system cooling water and the process cooling water machine. After implementation, the Company saved 139 MWh, equaled to 0.75% energy saving compared with the previous year; whereas reduced 36 ton of GHG emission, equaled to 0.3%. The actual result did not reach goal was due to long service life of the system causing low efficiency for energy saving. It can not lower emission of the GHG either. In addition, by taking 2016 as the baseline, energy saving in 2021 was set as 5%, and the GHG emission reduction would achieve 5%.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
			<p>B. Reuse recycled water: The goal for 2017 was to reach 1% of water usage less compared with the previous year. Specific action was to change the resin of the pure water system mixed bed. After implementation, the Company saved 6,822 thousand liters, equaled to 3.2%. The goal was reached. In addition, by taking 2016 as the baseline, the water reduction rate in 2021 was set as 5%.</p> <p>C. Waste disposal reduction: The goal for 2017 was set at 1% less compared with the previous year. Specific actions were to improve the production process. In addition, the transfer of company products from traditional liquid crystal modules to touch screen will see a reduction in material usage and a relative reduction in waste produced. After implementation, waste disposal has reduced 8.01 tons, with the reduction rate 3.2%. The goal was reached. In addition, by taking 2016 as the baseline, the waste disposal reduction rate in 2021 was set as 5%.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>The Company sets up human rights policy in reference to the recognized standards such as Universal Declaration of Human Rights (UDHR), International Labour Organization (ILO), and Ethical Trading Initiative (ETI). This policy applies to all labors including temporary workers, immigrated workers, students, contractors, direct hired and any other types of labors. It covers six sections: freedom of job choosing, young workers, working hour, wages and benefits, humane treatment, and non-discrimination. Detailed content is disclosed on the Company’s website. Moreover, the Company complies with relevant labor laws and regulations to protect the legitimate rights and interests of its employees. Propaganda of company policy and understanding of employee views are conducted via open two-way communication. Personnel regularly attend courses regarding labor laws and regulations and review the managerial procedures of the company afterwards.</p>	None.
<p>(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p>	✓		<p>The Company has adopted “Regulations on Reflecting Employee Complaint and Opinion”. Not only does it set up a comment box in the employee cafeteria, but also provides phone number and email for access to complain. If an employee filed a complaint, a specialized unit will take charge and responsible for confidentiality and protection to avoid any unfair treatment or revenge to the employee.</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		In regards to labor safety and health, the Company has achieved OHSAS18001 Certification and established the industrial safety and business planning department to regularly review the implementation of environmental, safety, and fire prevention of all internal divisions. “Regulations on Employee Physical Examination Management” have been adopted and the Company regularly holds physical examinations for its employees. “Regulations for Emergency Response Procedures” have been adopted to minimize damage in the event of an emergency situation. The Company infirmary is equipped with on-site nurses and occupational doctors to provide the appropriate medical assistance.	None.
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		Employees can exchange opinions through Labor-Management Meeting, Employee Welfare Committee, Catering Service Committee and other channels. They can send feedback with names or anonymous by phone, comment box, or email. With many channels provided, employees’ feedbacks can be responded instantly. Operational changes will be notified via e-mail by Administration Department and disclosed on the Company internal website.	None.
(5) Does the company provide its employees with career development and training sessions?	✓		“Codes for Employee Education and Training” have been adopted. Internal speeches lectured by senior staff are regularly held to share experiences and elevate knowledge. Employees are encouraged to participate in education and training courses organized by external institutions to gain new knowledge and enhance skills.	None.
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		To ensure the consumer rights of clients, company products are all passed by quality inspection before being shipped to clients. “Codes for the Management of External Communication” have been adopted to improve customer service satisfaction levels and regulate the procedures of product complaint, suggestions or dissatisfaction from clients and take care of the problems encountered by clients. In addition, a customer satisfaction survey is conducted annually to understand the level of affirmation for the Company from clients as well as to receive opinions and issues from clients to understand the gap between customer needs and expectations. This is used as the basis for improving the quality system, thus achieving a more harmonious relation between the Company and its client and a win-win situation.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		The Company complies with related laws and regulations as well as quality certifications such as ISO 9001 and IECQ QC080000. The use of environmentally hazardous substances is prohibited in all company products. Restrictions of dangerous substances and other hazardous substances follow EU standards for product regulation to suppress the environmental and social harm caused in the product life cycle.	None.
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		Before interacting with suppliers, the Company will conduct evaluations based on “Codes for Management of Contractors” and assess the environmental and social impact of the supplier. Once qualified, the materials supplier must sign a “use of conflict-free minerals statement” as well as a “nonuse of GP banned substance statement” and commit to strictly follow the environmental protection laws and regulations in the design and manufacture of supplied materials. In addition, suppliers should join efforts with the Company to achieve international policy standards for environmental protection, effectively control material and manufacturing process and ensure the products provided meet RoHS standards.	None.
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		The Company requires qualified material suppliers to sign a “use of conflict-free minerals statement” and jointly preserving human rights and protecting the environment. Additionally, a “contract of honesty” is signed with suppliers, prohibiting suppliers from providing improper benefits or acts that lead directly or indirectly to these benefits. Breach of the terms will result in termination of transaction and claim of compensation.	None.
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		A section of corporate social responsibilities has been set up on the Company's website with related information disclosed immediately. Also, “Corporate Social Responsibility Practice Principles” and “Corporate Social Responsibility Report” have been disclosed on the Market Observation Post System at the same time.	None.
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: “Corporate Social Responsibility Practice Principles” has been adopted and continuously revised. There is no significant departure between implementation and the principles.				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices: In response to environmental protection and reduce the waste of resources, the Company requests employees to use digital documents whenever possible, use tablets instead of paper in the cleanroom, reuse the blank backside of obsolete documents, and also encourages employees to bring their own tableware. The Company regularly gives back to the public. Activities in 2017 are as follows: (1) The Company was actively involved and provided free gifts in a blood donation event initiated by the Export Processing Zone Administration in Kaohsiung. 45,750 cc of blood was donated during the event. 18 employees had participated in blood donation and 153 gifts were sponsored. By paying it forward, the Company expect to attract more people sharing great love to help others.				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Explanation	
<p>(2) The Company held a event of “Moon Festival Holiday Greeting: <b>edt</b> Send Love to You”. Raised total of 100 thousand dollars from all employees and ordered 362 Moon Festival giftboxes, then donated to Social Affairs Bureau of Kaohsiung City Government Central District Social Welfare Centre. It distributed the giftboxes to low-income households, elderly living alone to help underprivileged minorities.</p> <p>(3) Echo to the city cross-function co-reduction in greenhouse gas emission driven by Environmental Protection Bureau Kaohsiung City Government, the Company donated around 100 thousand dollars to help replacing energy-saving lights in Kaohsiung Municipal Shih-Jia Junior High School and Hai-Shan Elementary School.</p> <p>(4) Assist the health center of Export Processing Zone Administration in Kaohsiung in screening four cancers and actively promote and encourage employees to participate the event to take care of their health and family happiness. There were total 16 employees participated in oral cancer screening, 2 in breast cancer screening, 14 in cervical cancer screening, and 2 in colorectal cancer screening.</p> <p>(5) Assist 13 logistics personnels of the Workforce Development Agency, Ministry of Labour from the third training session in factory visiting.</p> <p>(6) Assist 23 junior students in Material Science Department from I-Shou University in factory visiting.</p>				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company has finished the “Corporate Social Responsibility Report” of 2016. The content of report was compiled in accordance with GRI Standards set up by Global Reporting Initiative(GRI), but was not verified by external certification institutions yet.				

### 3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Company philosophy of “quality, honor, good faith, creativity” is implemented through the “Corporate Social Responsibility Practice Principles”, “Ethical Management Principles”, and “Codes for Ethical Management”.	None.
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The Company implements operation procedures, behavior guidelines as well as disciplinary and notification methods of irregularities in accordance with the “Codes for Ethical Management”. Also, this codes have been disclosed on the Company’s website.	None.
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		To ensure the implementation of ethical management, an effective accounting system and internal control system has been established. Internal auditors periodically verify the implementation of the aforementioned systems.	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		The Company embraces the value of business integrity in trading with a business partner. The Company will look into the business integrity status of the partner and include the compliance of business integrity operation in a contract, which will include the following: A. If either party involves with any dishonest behaviour in business activity, the other party may unconditionally terminate the contract at anytime. B. If either party discovers any personnel violating contract articles about prohibitions of commission, brokerage, or any other benefit, it shall inform the other party of the personnel’s identification, methods of offer, promise, request or receive, and the amount or other benefit. Relevant evidence shall be provided and cooperate on the investigation. If it causes damage in one party, the other party shall request for compensation for the damage.	None.
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The Company has set up the concurrent unit responsible for promoting the corporate integrity (Business Integrity Promotion Team) affiliated to the Board of Directors, which should report the implementation status to the Board of Directors regularly each year and disclose it on the Company’s website.	None.
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		Mutual reviews between departments and multi-layered decision approval is used in the internal control system to avoid malpractice and intentional manipulation. The Company has adopted “Codes for Ethical Management” to regulate the methods of informing unethical conduct and related handling procedures. To prevent interest conflict, the Company has established the channel of “improper conduct complaint” on the official website externally for the manufacturers, customers and employees. Internally, the Administration Dept. and Audit Office of the Company provided hotline, e-mail and special mailbox as the statement channels for the employees. However, no event of improper conduct was complained in 2017.	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		To ensure the implementation of ethical management, an effective accounting system and internal control system has been established. Internal auditors periodically verify the implementation of the aforementioned systems.	None.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		To carry out business integrity, the Company held “Responsible Business Alliance (RBA) Code of Conduct” training internally. The content includes business integrity, no dishonest profit, identification protection, revenge preventing, and so on. In 2017, 863 trainees participated the training with 1,726 training hours in total. In the part of law safety, it opened a total of 19 classes.	None.
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company has adopted “Regulations on Reflecting Employee Complaint and Opinion” and a comment box has been placed in the cafeteria. Employees may fill a complaint via the comment box, email to the Administration Dept., or directly notify the Audit Office, and provide supporting information. Besides, the Company has established the channel of “improper conduct complaint” on the official website externally for the manufacturers, customers and employees. “Codes for Ethical Management” regulate the methods of informing unethical conduct and related handling procedures. An email address for information of misconduct is provided on the Company website. Investigations will be carried out after notification is received by the Audit Office. If actions of misconduct are confirmed, the matter will be reported to the Chairman to decide on the appropriate measures. Penalties for violation of ethical management have been stated in the “Codes for Ethical Management” and “Employee Handbook”.	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		Records of the reception of reports, investigation process, investigation results, and related documentations regulated in the “Codes for Ethical Management” will be kept by the Audit Office. All participating personnel must sign a “Declaration of Confidentiality” to protect the identity of informants and the reported contents.	None.
(3) Does the company provide proper whistleblower protection?	✓		The Company has a zero tolerance policy for retaliation. The identity of informants and the reported contents will be kept confidential to protect the informant from any retaliation due to reporting unethical conduct. The Company will follow-up regularly with informants whose identities have been disclosed and respond to situation that are reasonably suspected to be retaliation.	None.
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		“Ethical Management Principles” and “Codes for Ethical Management” have been disclosed on the Company’s website and the Market Observation Post System. Also, the implementation status of Business Integrity Promotion Team has been disclosed on the Company’s website.	None.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: “Ethical Management Principles” and “Codes for Ethical Management” have been adopted and continuously revised. There is no significant departure between implementation and the principles.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): The Company regularly revises related ethical management regulations according to the latest laws and regulations as well as the state of implementation.				

### 3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company’s website at <http://www.edtc.com/>

### 3.4.8 Other Important Information Regarding Corporate Governance: None.

### 3.4.9 Internal Control Systems

#### 3.4.9.1 Statement of Internal Control System

Emerging Display Technologies Corp.  
Statement of Internal Control System

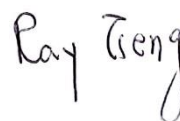
Date: March 14, 2018

Based on the findings of a self-assessment, Emerging Display Technologies Corp. (**edt**) states the following with regard to its internal control system during the year 2017:

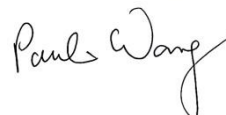
1. **edt**'s Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and **edt** takes immediate remedial actions in response to any identified deficiencies.
3. **edt** evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. **edt** has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, **edt** believes that on December 31, 2016, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of **edt**'s Annual Report for the year 2016 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 14, 2018, with none of the six attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Emerging Display Technologies Corp.

Chairman



President & CEO



**3.4.9.2 Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report:** The Company did not hire a CPA to carry out a special audit of the internal control system.

**3.4.10 For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.**

### **3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

<b>Shareholders' meeting</b>			
<b>Date</b>	<b>Description</b>	<b>Resolution</b>	<b>Implementation</b>
Jun. 8, 2017	1. Adoption of the Business Report and Financial Statements of 2016.	Passed without objection by all shareholders present.	Not applicable.
	2. Adoption of the proposal for distribution of 2016 profits.	Passed without objection by all shareholders present.	Total distributable earnings amounted to NT\$174,282,754. The profit to be distributed among shareholders shall be NT\$70,024,642 in cash dividends. The ex-dividend date was August 23, 2017 resolved by the Board of Directors on August 1, 2017, and the cash dividend payment date was September 7, 2017. The cash dividend was NT\$0.40852705 per share.
<b>Board meeting</b>			
<b>Date</b>	<b>Description</b>	<b>Resolution</b>	
Jan. 5, 2017	1. To discuss 15 <sup>th</sup> time repurchase of company stock.	Planned to buy back 5,500,000 shares. Repurchase price is at NT\$7 to NT\$13.	
Feb. 9, 2017	1. To discuss the capital reduction date to retire treasury stock (15 <sup>th</sup> time buy back).	The capital reduction date to retire treasury stocks totaled 5,500,000 shares is Feb. 9, 2017.	
Feb. 20, 2017	1. To discuss 16 <sup>th</sup> time repurchase of company stock.	Planned to buy back 6,000,000 shares. Repurchase price is at NT\$8.5 to NT\$12.	
Mar. 8, 2017	1. To discuss operating performance of 2016 and business plan for 2017.	Passed unchanged by all directors present.	
	2. To discuss the distribution of 2016 employees' compensation and remuneration for directors and supervisors.	Planned compensation for employees totals NT\$11,500,404 and remuneration for directors and supervisors totals NT\$6,900,242. Total amounts will be paid in cash.	
	3. To discuss business report, financial statements, and consolidated financial statements for 2016.	Passed unchanged by all directors present.	
	4. To discuss the proposal for distribution of 2016 profits.	Passed unchanged by all directors present.	
	5. To discuss the amendment of "Regulations Governing the Acquisition and Disposal of Assets".	Passed unchanged by all directors present.	
	6. To discuss time, date, location and agenda of shareholders' meeting for 2017, submission period of proposals and nominations from shareholders with 1% or more shares, and related matters.	Shareholders' meeting is set to be held on June 8, 2017 at 9 <sup>am</sup> in the 1F conference hall. Submission of proposals from shareholders with 1% or more shares will be accepted from March 31 to April 10.	
	7. To discuss self-assessment and statement by internal control for 2016.	Passed unchanged by all directors present.	
	8. To discuss the amendment of internal control system, version 15.	Passed unchanged by all directors present.	
	9. To discuss the amendment of "Procedures for halt and resumption applications".	Passed unchanged by all directors present.	
	10. To discuss remuneration adjustments of 2017 for the Chairman and managerial employees.	Passed unchanged by all directors present.	
	11. To discuss the HR change for Financial Officer, Accounting Officer and Internal Audit Officer.	Due to the Company's internal job adjustment from March 1, 2017, the former Financial & Accounting Officer Hsieh, Wen-Hsiung was promoted to the Vice President & Chairman's Special Assistant. The former Internal Audit Officer Huang, Hsiu-Wen was transferred to serve as the Financial Officer. Kuo, Kun-Ho was appointed as the Accounting Officer. Liu, Ying-Lan was appointed as the Internal Audit Officer.	
May 9, 2017	1. To discuss the capital reduction date to retire treasury stock (16 <sup>th</sup> time buy back).	The capital reduction date to retire treasury stocks totaled 6,000,000 shares is May 9, 2017.	
	2. To discuss consolidated financial statements for Q1 of 2017.	Passed unchanged by all directors present.	
	3. To discuss the independence and suitability assessment of CPA for 2017.	CPA Yang, Po-Jen and Chen, Kuo-Tsung have achieved the Company's standards of the independence and suitability after evaluation.	
	4. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.	
Aug. 1, 2017	1. To discuss operating performance of Q2 of 2017 and business plan for Q3.	Passed unchanged by all directors present.	
	2. To discuss consolidated financial statements for Q2 of 2017.	Passed unchanged by all directors present.	
	3. To discuss the ex-dividend date of cash dividend for distribution of 2016 profits.	The cash dividends were adjusted to NT\$0.40852705 per share according to the percent of shareholding on ex-dividend date. The ex-dividend date was August 23, 2017 and the cash dividend payment date was September 7, 2017.	

	4. To discuss the distribution details of 2016 employees' compensation and remuneration for directors and supervisors.	The compensation for employees totals NT\$11,500,404 and remuneration for directors and supervisors totals NT\$6,900,242. The distribution details were passed unchanged by all directors present.
	5. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.
Nov. 8, 2017	1. To discuss operating performance of Q3 of 2017 and business plan for Q4.	Passed unchanged by all directors present.
	2. To discuss consolidated financial statements for Q3 of 2017.	Passed unchanged by all directors present.
	3. To discuss and review of all remunerations of 2018 for directors, supervisors, and managerial personnel.	Passed unchanged by directors present excluding 3 directors avoiding vote in conflict of interest.
	4. To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2017.	Passed unchanged by directors present excluding 3 directors avoiding vote in conflict of interest.
	5. To discuss the amendment of "Regulations Governing the Acquisition and Disposal of Assets".	Passed unchanged by all directors present.
	6. To discuss the establishment of "Evaluation Regulations of the Board's Performance".	Passed unchanged by all directors present.
	7. To discuss the proposed audit plan for 2018 in accordance with Article 13 of "Regulations Governing Establishment of Internal Control Systems by Public Companies".	Passed unchanged by all directors present.
	8. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.
Mar. 2, 2018	1. To discuss 17 <sup>th</sup> time repurchase of company stock.	Planned to buy back 4,000,000 shares. Repurchase price is at NT\$7 to NT\$11.
Mar. 14, 2018	1. To discuss operating performance of 2017 and business plan for 2018.	Passed unchanged by all directors present.
	2. To discuss business report, financial statements, and consolidated financial statements for 2017.	Passed unchanged by all directors present.
	3. To discuss the distribution of 2017 employees' compensation and remuneration for directors and supervisors.	Planned compensation for employees totals NT\$3,476,402 and remuneration for directors and supervisors totals NT\$2,085,841. Total amounts will be paid in cash.
	4. To discuss the proposal for distribution of 2017 profits.	Net profit of 2017 was NT\$54,313,895. By adding previous years' retained earnings of NT\$104,258,112, changes of remeasurement from defined benefit plans of NT\$2,991,000, reversal of special reserve for equity deduction of NT\$12,739,469 and reversal of special reserve for changes of market price of the Company's shares held by subsidiaries of NT\$1,758,878, setting aside 10% of net profit as legal reserve of NT\$5,431,390, total distributable earnings for year amounted to NT\$170,629,964. The profit to be distributed among shareholders shall be NT\$68,348,641 in cash dividends (NT\$0.4 per share).
	5. Election of all the directors and supervisors of the Company.	Seven directors (including two independent directors) and three supervisors shall be elected. The candidate nomination system is adopted. New directors and supervisors will take office immediately after election, and the term of office from June 12, 2018 to June 11, 2021 for a term of three years.
	6. To discuss the dismissal of the prohibition of non-competition obligation of the new directors and its representatives.	Passed unchanged by all directors present.
	7. To discuss time, date, location and agenda of shareholders' meeting for 2018, submission period of proposals and nominations from shareholders with 1% or more shares, and related matters.	Shareholders' meeting is set to be held on June 12, 2018 at 9 <sup>am</sup> in the 1F conference hall. Submission of proposals from shareholders with 1% or more shares will be accepted from April 9 to April 18.
	8. To discuss self-assessment and statement by internal control for 2017.	Passed unchanged by all directors present.
	9. To discuss the amendment of internal control system, version 16.	Passed unchanged by all directors present.
	10. To discuss remuneration adjustments of 2018 for the Chairman and managerial employees.	Passed unchanged by directors present excluding 3 directors avoiding vote in conflict of interest.
	11. The Company plan to make a loan of US\$1,450,000 to Emerging Display Technologies Co., U.S.A..	Passed unchanged by all directors present.
	12. To discuss additional amounts of financing from financial institutions.	Passed unchanged by all directors present.
Apr. 27, 2018	1. To review the list of the candidates of directors (including independent directors) and supervisors.	Passed unchanged by all directors present.

**3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:** None.

**3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D:**

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Accounting & Financial Officer	Hsieh, Wen-Hsiung	—	March 8, 2017 (Note)	Promoted to position of Vice President & Chairman's Special Assistant due to the Company's internal job adjustment.
Accounting Officer	Kuo, Kun-Ho	March 8, 2017 (Note)	—	Promoted due to the Company's internal job adjustment.
Financial Officer	Huang, Hsiu-Wen	March 8, 2017 (Note)	—	Transferred from Internal Audit Officer due to the Company's internal job adjustment.
Internal Audit Officer	Huang, Hsiu-Wen	—	March 8, 2017 (Note)	Transferred to Financial Officer due to the Company's internal job adjustment.
Internal Audit Officer	Liu, Ying-Lan	March 8, 2017 (Note)	—	Promoted due to the Company's internal job adjustment.

**3.4.14 Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information:** Certified Public Accountants (CPA) – Audit Office: 1 person.

### 3.5 Information on CPA Professional Fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Po Jen, Yang Kuo Tsung, Chen	Year 2017	None

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			✓	✓
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000		✓		✓
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

**3.5.1 Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto:** Non-audit fees NT\$37 thousand was paid to KPMG for service fees of the Company's subsidiaries which was not over 25% of the total audit fees.

**3.5.2 The Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year:** Not applicable.

**3.5.3 The audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more:** Not applicable.

### 3.6 Information on Replacement of CPA: Not applicable.

### 3.7 The Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: Not applicable.

### 3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: Shares

Title	Name	2017		As of April 13, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tseng, Jui-Ming	0	0	0	0
Director	Hsieh, Hui-Tai	0	0	0	0
Director	Ti Fu Investment Corp.	0	0	0	0
Director	Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang	0	0	0	0
Director	Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	0	0	0	0
Independent Director	Li, Chi-Cheng	0	0	0	0
Independent Director	Huang, Fu-Di	0	0	0	0
Supervisor	Lin, Yu-Fen	0	0	0	0
Supervisor	Tseng, Shu-Ling	(176,000)	0	0	0
Supervisor	Chu, Min	0	0	0	0
President & CEO	Wang, Tai-Kuang	0	0	0	0
Vice President	Lin, Ho-Hsing	(237,000)	0	0	0
Vice President	Huang, Mao-Hsiung	0	0	0	0
Vice President	Li, Shu-Tien (Note 1)	—	—	—	—
Vice President	Yu, Cheng-Chung	0	0	0	0
Vice President & Chairman's Special Assistant	Hsieh, Wen-Hsiung (Note 2)	0	0	0	0
Vice President	Kao, Neng-Sen (Note 3)	—	—	0	0
Financial Officer	Huang, Hsiu-Wen (Note 2)	0	0	0	0
Accounting Officer	Kuo, Kun-Ho (Note 2)	0	0	0	0

Note 1: Retired on February 28, 2017.

Note 2: The former Financial & Accounting Officer Hsieh, Wen-Hsiung was promoted to the Vice President & Chairman's Special Assistant. The former Internal Audit Officer Huang, Hsiu-Wen was transferred to serve as the Financial Officer. Kuo, Kun-Ho was appointed as the Accounting Officer. The HR change proposal was passed by the board of directors meeting on March 8, 2017.

Note 3: Promoted on March 1, 2018.

#### 3.8.1 Shares Trading with Related Parties

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Lin, Ho-Hsing	Gift	Aug. 17, 2017	Lin, Chun-Cheng	Son	237,000	—

#### 3.8.2 Shares Pledge with Related Parties

Name	Reason for Pledge	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Shares holding %	Shares Pledged %	Pledged Amount
None								

### 3.9 Relationship among the Top Ten Shareholders

As of April 13, 2018

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Tseng, Jui-Ming	11,043,723	6.02%	256,759	0.14%	0	0.00%	Tseng, Shu-Ling	Siblings	None
							Hsieh, Hui-Tai	In-law	
Hsieh, Hui-Tai	6,486,867	3.54%	366,281	0.20%	0	0.00%	Tseng, Jui-Ming	In-law	None
Ying Dar Investment Development Corp.	5,346,672	2.92%	0	0.00%	0	0.00%	Tseng, Jui-Ming	Responsible person of the Company	None
Representative of Ying Dar Investment Development Corp.: Wang, Tai-Kuang	1,626,487	0.89%	1,702,047	0.93%	0	0.00%	Lin, Yu-Fen	Spouse	None
							Ying Dar Investment Development Corp.	Director	None
							Bae Haw Investment Development Corp.	Director	None
Bae Haw Investment Development Corp.	3,447,716	1.88%	0	0.00%	0	0.00%	Tseng, Jui-Ming	Responsible person of the Company	None
Representative of Bae Haw Investment Development Corp.: Hsieh, Wen-Hsiung	261,253	0.14%	0	0.00%	0	0.00%	Bae Haw Investment Development Corp.	Director	None
Eclat Forever Machinery Co., Ltd.	1,920,000	1.05%	0	0.00%	0	0.00%	None	None	None
Lin, Yu-Fen	1,702,047	0.93%	1,626,487	0.89%	0	0.00%	Wang, Tai-Kuang	Spouse	None
Huang, Mao-Hsiung	1,674,536	0.91%	0	0.00%	0	0.00%	None	None	None
Tseng, Shu-Ling	1,621,209	0.88%	1,553	0.00%	0	0.00%	Tseng, Jui-Ming	Siblings	None
Yuan-Ting Venture Capital Corp.	1,327,000	0.72%	0	0.00%	0	0.00%	None	None	None

### 3.10 Ownership of Shares in Affiliated Enterprises

Unit: Shares / %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Emerging Display Technologies Co., U.S.A.	3,500,000	100.00%	0	0.00%	3,500,000	100.00%
Emerging Display International (Samoa) Corp.	5,984,071	78.49%	1,320,000	17.31%	7,304,071	95.80%
EDT-Europe ApS	125,000	100.00%	0	0.00%	125,000	100.00%
Tremendous Explore Corp.	50,000	100.00%	0	0.00%	50,000	100.00%
EDT-Korea	58,212,500	100.00%	0	0.00%	58,212,500	100.00%
EDT-Japan	5,000	100.00%	0	0.00%	5,000	100.00%
Ying Dar Investment Development Corp.	8,900,000	100.00%	0	0.00%	8,900,000	100.00%
Bae Haw Investment Development Corp.	8,900,000	100.00%	0	0.00%	8,900,000	100.00%
Ying Cheng Investment Corp.	8,400,000	52.50%	0	0.00%	8,400,000	52.50%

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (Thousand)	Amount (NT\$ thousand)	Shares (Thousand)	Amount (NT\$ thousand)	Sources of Capital (NT\$ thousand)	Capital Increased by Assets Other than Cash	Approval document No. and Approval date
09/1994	10	1,800	18,000	1,800	18,000	Set up initial cash capital injection	None	None
12/1996	10	2,573	25,725	2,573	25,725	Cash capital injection NT\$7,725	None	None
11/1997	10	4,579	45,791	4,579	45,791	Cash capital injection NT\$20,066	None	None
03/1998	10	19,990	199,896	19,990	199,896	Cash capital injection NT\$142,200 Retained earnings capital injection NT\$11,905	None	None
07/1998	10	60,000	600,000	30,000	300,000	Cash capital injection NT\$100,104	None	Approval No. 58863 issued by FSC on 23/07/1998
07/1999	10	60,000	600,000	43,500	435,000	Retained earnings capital injection NT\$60,000 Employee bonus capital injection NT\$15,000 Capital surplus injection NT\$60,000	None	Approval No. 59752 issued by FSC on 01/07/1999
07/2000	10	80,000	800,000	65,000	650,000	Retained earnings capital injection NT\$61,770 Employee bonus capital injection NT\$15,442.5 Capital surplus injection NT\$60,030 Cash capital increased NT\$77,757.5	None	Approval No. 59505 issued by FSC on 12/07/2000
11/2000	10	80,000	800,000	80,000	800,000	Cash capital increased NT\$150,000	None	Approval No. 95331 issued by FSC on 21/11/2000
07/2001	10	200,000	2,000,000	98,200	982,000	Retained earnings capital injection NT\$88,000 Employee bonus capital injection NT\$14,000 Capital surplus injection NT\$80,000	None	Approval No. 144159 issued by FSC on 12/07/2001
07/2002	10	200,000	2,000,000	114,000	1,140,000	Retained earnings capital injection NT\$49,100 Employee bonus capital injection NT\$10,700 Capital surplus injection NT\$98,200	None	Approval No. 0910141489 issued by FSC on 25/07/2002
10/2003	10	200,000	2,000,000	131,520	1,315,198	Employee bonus capital injection NT\$900 Capital surplus injection NT\$109,100 Capital injection by CB NT\$65,198	None	Approval No. 0920130747 issued by FSC on 09/07/2003
12/2003	10	200,000	2,000,000	143,870	1,438,700	Capital injection by CB NT\$123,502	None	Approval No. 09300300090 issued by K.E.P.Z.
04/2004	10	200,000	2,000,000	147,704	1,477,044	Capital injection by CB NT\$38,343	None	Approval No. 09300300660 issued by K.E.P.Z.
07/2004	10	200,000	2,000,000	148,825	1,488,246	Capital injection by CB NT\$11,201	None	Approval No. 09300301350 issued by K.E.P.Z.
09/2004	10	200,000	2,000,000	175,004	1,750,036	Retained earnings capital injection NT\$74,410 Employee bonus capital injection NT\$38,560 Capital surplus injection NT\$148,820	None	Approval No. 0930132882 issued by FSC on 22/07/2004
10/2004	10	200,000	2,000,000	175,433	1,754,329	Capital injection by CB NT\$4,293	None	Approval No. 09300302220 issued by K.E.P.Z.
01/2005	10	200,000	2,000,000	175,490	1,754,900	Capital injection by CB NT\$571	None	Approval No. 09400300130 issued by K.E.P.Z.

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (Thousand)	Amount (NT\$ thousand)	Shares (Thousand)	Amount (NT\$ thousand)	Sources of Capital (NT\$ thousand)	Capital Increased by Assets Other than Cash	Approval document No. and Approval date
04/2005	10	200,000	2,000,000	175,501	1,755,014	Capital injection by CB NT\$114	None	Approval No. 09400300660 issued by K.E.P.Z.
07/2005	10	260,000	2,600,000	175,507	1,755,072	Capital injection by CB NT\$58	None	Approval No. 09400301470 issued by K.E.P.Z.
08/2005	10	260,000	2,600,000	193,910	1,939,096	Retained earnings capital injection NT \$84,587 Employee bonus capital injection NT \$14,850 Capital surplus injection NT\$84,587	None	Approval No. 0940126503 issued by FSC on 01/07/2005
10/2005	10	260,000	2,600,000	194,131	1,941,313	Capital injection by CB NT\$2,217	None	Approval No. 09400302240 issued by K.E.P.Z.
07/2006	10	260,000	2,600,000	199,701	1,997,008	Capital injection by CB NT\$55,695	None	Approval No. 09500301880 issued by K.E.P.Z.
08/2006	10	350,000	3,500,000	220,282	2,202,822	Retained earnings capital injection NT\$93,907 Employee bonus capital injection NT\$18,000 Capital surplus injection NT\$93,907	None	Approval No. 0950128449 issued by FSC on 05/07/2006
07/2007	10	350,000	3,500,000	220,632	2,206,319	Capital injection by CB NT\$3,497	None	Approval No. 09600301980 issued by K.E.P.Z.
08/2007	10	350,000	3,500,000	214,315	2,143,149	Treasury stocks cancellation NT\$63,170	None	Approval No. 09600302080 issued by K.E.P.Z.
08/2007	10	350,000	3,500,000	225,013	2,250,132	Capital surplus injection NT\$106,983	None	Approval No. 0960036230 issued by FSC on 12/07/2007
11/2007	10	350,000	3,500,000	225,157	2,251,569	Capital injection by CB NT\$1,437	None	Approval No. 09600303090 issued by K.E.P.Z.
01/2008	10	350,000	3,500,000	225,214	2,252,144	Capital injection by CB NT\$575	None	Approval No. 09700300130 issued by K.E.P.Z.
08/2008	10	350,000	3,500,000	225,249	2,252,489	Capital injection by CB NT\$345	None	Approval No. 09700302030 issued by K.E.P.Z.
08/2008	10	350,000	3,500,000	217,749	2,177,489	Treasury stocks cancellation NT\$75,000	None	Approval No. 09700301230 issued by K.E.P.Z.
01/2009	10	350,000	3,500,000	211,108	2,111,076	Capital injection by CB NT\$517 Treasury stocks cancellation NT\$66,930	None	Approval No. 09800300100 issued by K.E.P.Z.
10/2010	10	350,000	3,500,000	241,108	2,411,076	Cash capital injection NT\$300,000	None	Approval No. 0990047548 issued by FSC on 28/09/2010
12/2010	10	350,000	3,500,000	234,108	2,341,076	Treasury stocks cancellation NT\$70,000	None	Approval No. 09900303390 issued by K.E.P.Z.
02/2011	10	350,000	3,500,000	226,108	2,261,076	Treasury stocks cancellation NT\$80,000	None	Approval No. 10000300470 issued by K.E.P.Z.
08/2015	10	350,000	3,500,000	221,108	2,211,076	Treasury stocks cancellation NT\$50,000	None	Approval No. 10400301780 issued by K.E.P.Z.
10/2015	10	350,000	3,500,000	214,908	2,149,076	Treasury stocks cancellation NT\$62,000	None	Approval No. 10400302130 issued by K.E.P.Z.
01/2016	10	350,000	3,500,000	200,908	2,009,076	Treasury stocks cancellation NT\$140,000	None	Approval No. 10540010110 issued by K.E.P.Z.
12/2016	10	350,000	3,500,000	194,908	1,949,076	Treasury stocks cancellation NT\$60,000	None	Approval No. 10540013030 issued by K.E.P.Z.
02/2017	10	350,000	3,500,000	189,408	1,894,076	Treasury stocks cancellation NT\$55,000	None	Approval No. 10640010260 issued by K.E.P.Z.
05/2017	10	350,000	3,500,000	183,408	1,834,076	Treasury stocks cancellation NT\$60,000	None	Approval No. 10640010950 issued by K.E.P.Z.

Share Type	Authorized Capital			Remarks
	Outstanding Shares (Note)	Un-issued Shares	Total Shares	
Common Stock	167,407,603	182,592,397	350,000,000	TWSE Listed Company

Note: Buyback shares are deducted.

#### 4.1.2 Status of Shareholders

As of April 13, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	160	26,211	30	26,401
Shareholding (shares)	0	0	29,882,819	151,165,368	2,359,416	183,407,603
Percentage	0.00%	0.00%	16.29%	82.42%	1.29%	100.00%

#### 4.1.3 Shareholding Distribution Status

As of April 13, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	15,875	932,401	0.51%
1,000 ~ 5,000	6,693	15,742,288	8.58%
5,001 ~ 10,000	1,818	14,708,959	8.02%
10,001 ~ 15,000	605	7,559,821	4.12%
15,001 ~ 20,000	410	7,700,789	4.20%
20,001 ~ 30,000	359	9,261,875	5.05%
30,001 ~ 50,000	259	10,442,557	5.70%
50,001 ~ 100,000	198	14,478,235	7.89%
100,001 ~ 200,000	88	12,220,850	6.66%
200,001 ~ 400,000	45	12,630,841	6.89%
400,001 ~ 600,000	20	9,657,393	5.27%
600,001 ~ 800,000	9	6,142,995	3.35%
800,001 ~ 1,000,000	8	7,026,311	3.83%
1,000,001 or over	14	54,902,288	29.93%
Total	26,401	183,407,603	100.00%

#### 4.1.4 List of Major Shareholders

As of April 13, 2018

Shareholder's Name	Shareholding	
	Shares	Percentage
Tseng, Jui-Ming	11,043,723	6.02%
Hsieh, Hui-Tai	6,486,867	3.54%
Ying Dar Investment Development Corp.	5,346,672	2.92%
Bae Haw Investment Development Corp.	3,447,716	1.88%
Eclat Forever Machinery Co., Ltd.	1,920,000	1.05%
Lin, Yu-Fen	1,702,047	0.93%
Huang, Mao-Hsiung	1,674,536	0.91%
Wang, Tai-Kuang	1,626,487	0.89%
Tseng, Shu-Ling	1,621,209	0.88%
Yuan-Ting Venture Capital Corp.	1,327,000	0.72%

## 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Items		Period	2017	2016	Jan. 1, 2018~ Apr. 30, 2018
Market Price per Share	Highest Market Price		12.30	14.50	10.65
	Lowest Market Price		9.00	8.25	8.60
	Average Market Price		10.61	11.95	10.04
Net Worth per Share	Before Distribution		11.29	11.26	(Note 5)
	After Distribution		Undistributed	10.86	
Earnings per Share	Weighted Average Shares (thousand shares)		163,779	181,702	(Note 5)
	Earnings per Share	Before Adjustment	0.33	1.03	(Note 5)
		After Adjustment	Undistributed	1.03	
Dividends per Share	Cash Dividends		(Note 4)	0.40852705	
	Stock Dividends	Dividends from Retained Earnings	(Note 4)	0	
		Dividends from Capital Surplus	(Note 4)	0	
	Accumulated Undistributed Dividends		0	0	
Return on Investment	Price / Earnings Ratio (Note 1)		30.73	10.53	(Note 5)
	Price / Dividend Ratio (Note 2)		(Note 4)	26.56	
	Cash Dividend Yield Rate (Note 3)		(Note 4)	3.77%	

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: Shall be approved by Shareholders' Meeting.

Note 5: The financial statement of 1<sup>st</sup> quarter of 2018 was not reviewed by Certified Public Accountant yet.

## 4.1.6 Dividend Policy and Implementation Status

### 4.1.6.1 Dividend Policy

The Company, when allocating its surplus profits after having paid all taxes and dues and covered accumulated losses, shall first set aside legal reserve and special reserve in accordance with relevant laws, rules and regulations. The said special reserve shall require to be reversed before distribution of earnings. 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 retained earnings available for distribution for the current year, then submit it to the shareholders' meeting for concurrence.

The Company is at the steady growth stage of its business development. Residual dividend policy shall be adopted for dividend distribution of the Company, taking into consideration the future capital budget plans and operational capital needs of the Company, as well as the extent of dilution on earnings per share and influence upon return on equity. Hence, future distribution of earnings shall be made priority by way of cash dividend over stock dividend, provided the ratio for cash dividend shall be fifty percent or more of the total annual distribution.

#### **4.1.6.2 Proposed Distribution of Dividend**

- A. In Fiscal Year 2017, the Company made a net profit of NT\$54,313,895. By adding previous years' retained earnings of NT\$104,258,112, changes of remeasurement from defined benefit plans of NT\$2,991,000, reversal of special reserve for equity deduction of NT\$12,739,469 and reversal of special reserve for changes of market price of the Company's shares held by subsidiaries of NT\$1,758,878, setting aside 10% of net profit as legal reserve of NT\$5,431,390, total distributable earnings for year amounted to NT\$170,629,964.
- B. The profit to be distributed among shareholders shall be NT\$ 68,348,641 in cash dividends (NT\$0.4 per share). The cash dividends will be distributed according to the percent of shareholding on ex-dividend date and fully distributed until last integer and preclude fraction of dollar. The remainder of undistributed net earnings will be recorded as the Company's other income.
- C. In the event that, the proposed dividend distribution ratio is affected due to share buyback program, transfer of treasury stocks to employees, reduction of shares or any other reasons affecting the number of outstanding shares, it is proposed that the Chairman be fully authorized to handle such distribution.
- D. Upon the approval of the 2018 shareholders' meeting, it is proposed that the Chairman be authorized to resolve the ex-dividend date.

#### **4.1.7 Effect Upon Business Performance And Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at The Most Recent Shareholders' Meeting: None.**

#### **4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration**

**4.1.8.1 Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation:** In accordance with Article 22-1 of the Articles of Incorporation, the Company shall allocate 5 percent or more as employees' compensation and 3 percent or less as remuneration for directors and supervisors when there is profit for the current year. By Articles 16 and 20 of Articles of Incorporation, the remuneration of the directors, supervisors, and managers are referred to the level of the related public companies, the Company's operation status, and their value of contribution. The remuneration is based on the evaluation of the Company's "Evaluation Regulations of the Board's Performance" and "Codes for assessment". Other than the overall operation performance of the Company, and the future operation risk and developing trends of the industry, personal goal achievement rate and contribution to the Company's performance are also considerate when giving out reasonable remuneration. Related performance assessment and reasonable remuneration are reviewed by Remuneration Committee and the Board of Directors. They will timely review and adjust remuneration system according to the actual operation status and related regulations, so a balance between sustainable operation and risk management is reached.

**4.1.8.2 The Basis For Estimating The Amount of Employee, Director, And Supervisor Compensation, For Calculating The Number of Shares to be Distributed as Employee Compensation, And The Accounting Treatment of The Discrepancy, if Any, Between The Actual Distributed Amount And The Estimated Figure, For The Current Period:** The Company, when allocating its surplus profits after having paid all taxes and dues and covered accumulated losses, shall first set aside legal reserve and special reserve in accordance with relevant laws, rules and regulations. Then the Company shall allocate 3 percent as remuneration for directors and supervisors and 5 percent as employees' bonus. There is no difference between the amount proposed to be distributed and estimated figure.

**4.1.8.3 Profit Distribution For Employee Bonus And Directors' And Supervisors' Remuneration for 2015 Approved in Board of Directors Meeting:**

A. The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Unit: NT\$ thousands

Item		Amount Approved in BOD Meeting	Estimated Figure For The Fiscal Year	Discrepancy	Cause	Treatment
Employee Bonus	Cash	3,476	3,476	0	—	—
	Stock	0	0	0	—	—
Directors' and Supervisors' Remuneration		2,086	2,086	0	—	—
Total		5,562	5,562	0	—	—

B. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation:

Unit: NT\$ thousands

Item	Amount	Percentage of The Sum of The After-tax Net Income Stated in The Parent Company Only Financial Reports or Individual Financial Reports For The Current Period And Total Employee Compensation
Employee Bonus - Stock	0	0%

**4.1.8.4 The Actual Distribution of Employee, Director, And Supervisor Compensation For The Previous Fiscal Year (With an Indication of The Number of Shares, Monetary Amount, And Stock Price, of The Shares Distributed), And, If There Is Any Discrepancy Between The Actual Distribution And The Recognized Employee, Director, or Supervisor Compensation, Additionally The Discrepancy, Cause, And How It Is Treated:** There is no profit to be distributed for the previous fiscal year.

Unit: NT\$ thousands

Item		Actual Distribution	Estimated Figure For The Fiscal Year	Discrepancy	Cause	Treatment
Employee Bonus	Cash	11,500	11,500	0	—	—
	Stock	0	0	0	—	—
Directors' and Supervisors' Remuneration		6,900	6,900	0	—	—
Total		18,400	18,400	0	—	—

#### 4.1.9 Buyback of Treasury Stock

As of Apr. 30, 2018

Treasury stocks: Batch Order	1 <sup>st</sup> time of 2017	2 <sup>nd</sup> time of 2017	1 <sup>st</sup> time of 2018
Purpose of buy-back	Maintain edt's credit and stockholders' equity	Maintain edt's credit and stockholders' equity	Maintain edt's credit and stockholders' equity
Timeframe of buy-back	Jan. 6 , 2017~ Jan. 17, 2017	Feb. 21, 2017~ Mar. 21, 2017	Mar. 5, 2018~ Apr. 18, 2018
Price range	NT\$7~13	NT\$8.5~12	NT\$7~11
Class, quantity of shares bought back	Common stock 5,500,000 shares	Common stock 6,000,000 shares	Common stock 4,000,000 shares
Value of shares bought-back	NT\$59,742,546	NT\$68,639,479	NT\$39,878,555
Shares cancelled /transferred	5,500,000 shares	6,000,000 shares	Not cancelled
Accumulated number of company shares held	-	-	16,000,000 shares
Percentage of total company shares held (%)	-	-	8.72%

**4.2 Issuance of Corporate Bonds: None.**

**4.3 Preferred Shares: None.**

**4.4 Global Depository Receipts: None.**

**4.5 Status of Employee Stock Options: None.**

**4.6 Status of Employee Retricted Stock: None.**

**4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions:**  
None.

**4.8 Financing Plans and Implementation: None.**

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

- A. Main areas of business operations
  - a. Manufacturer of electronic components
  - b. Manufacturer of computer and related equipment
  - c. Distributor of electronic materials
- B. Revenue distribution

Liquid crystal displays, capacitive touch panels and modules make up 100% of business operations.
- C. Main products

The design, manufacturing, and application of liquid crystal displays and capacitive touch panels.
- D. New products development
  - a. One glass capacitive touch panels (OGS and TOL)
  - b. TFT LCD Backend products
  - c. Full lamination products of TFT modules, sensor and cover lens

#### 5.1.2 Industry Overview

- A. Current Status and Future Development of Industry of the Company

Key products of the Company are the domains of liquid crystal displays (LCD) and capacitive touch panels (CTP). Respective illustrations are as follows:

  - a. LCD

Applications for LCD include commercial use, computer information use, communications, consumer electronics, industrial use, transportation entertainment, and so on. Various types of LCD have different applied use for different specification requirements. With the advances in technology and consumer stimulated demand, display panels have gradually evolved, from the early monochrome TN/STN technology displays gradually to TFT LCD technology. Currently, STN and TFT LCD modules are the Company's main products. Over the years, the popularity of handheld devices and innovation of application products have consumers demanding higher quality displays and leading to TFT LCD becoming the mainstream display technology with large size applications in PC and TV as well as small and medium size applications in mobile phones and tablets.

According to IHS survey, global demand on panel dimension will increase 7.2% to 210 million m<sup>2</sup> in 2018, becoming the biggest growth since 2014 (10.8%). It's 2.8% higher in growth rate than 2017. However, due to the price fall on panel in the lower half of 2017, the estimated amount on global panel demand will only increase 1% to US\$126 billion in 2018. IHS says the increase in panel demand in 2018 is mainly due to expected global economy recovery, price fall on panel, and the drive by the upgraded size of the display. IHS estimates global GDP growth rate will be 3.2% in 2018, better than 2.5% in 2016 and 3.1% in 2017. It's worth expecting a strong economy recovery in emerging markets, especially in North America, India, Brazil, and Russia, and bring up panel demand.

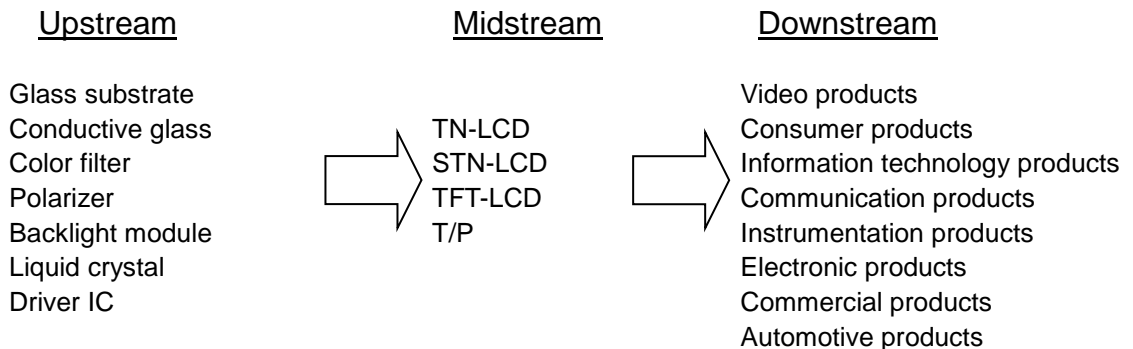
b. CTP

Due to the consumer preference and formed habits for the intuitive operation of touch interface, smartphones and tablets not only have become the main operating interface, but they have also experienced rapid growth. Thus, allowing a high growth rate in output and production volume for touch panels in the past years. However, according to the “Industrial Value Chain Information Platform” provided by Taipei Exchange, the touch panel market scale only grows 4~5% slightly in 2017 is because the second large appliance of the touch panel — the tablet market declined by 10%, but the main appliance — smart phone market scale is still growing. Even with the downsizing market scales of the monitor, All-in-One computer, and notebook, the proportion on the touch panel in each product is rising, making a continuing growth in the overall touch panel market.

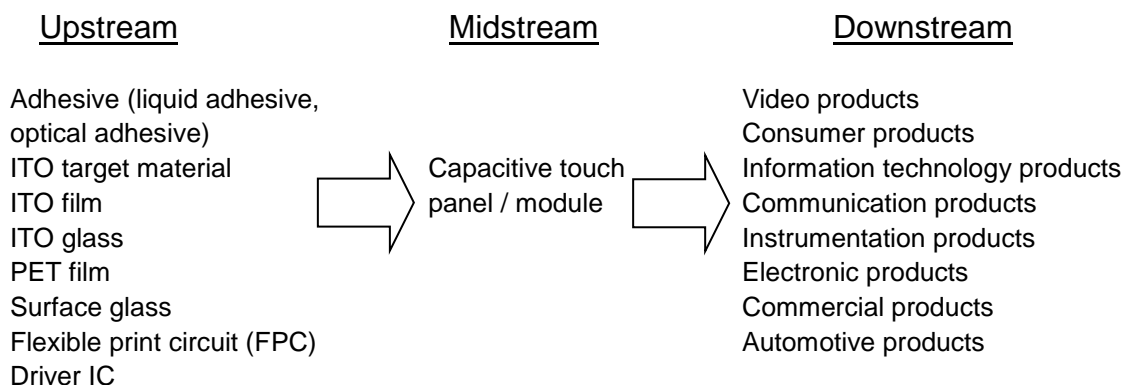
It is expected with the increasing demands on smart watch and on-vehicle panel in 2018, the touch panel market scale will remain constant or grow slightly. However, the smartphone market gradually saturates and the need for tablet continuously suffers from other products such as large size mobile phones. Global market research institution TrendForce estimates that global tablet shipment would fall into a decline, and the shrinking market is obvious. With increasingly thin profits in consumer electronics panels, future growth of the touch panel market will depend on how to reduce costs and improve product performance to expand end market for products as well as increasing application demand in NB, automotive, and industrial fields. In the aspect of technology, new material technology not only can improve projected capacitive interaction technology to apply to high end mobile phones and tablets from low end currently, but also extend towards the new touch application of large size, wearable devices, automotive and 3D.

B. Relationship with Up-, Middle- and Downstream Companies

a. LCD



b. CTP



## C. Product Trends

### a. LCD

LCD is a display component used in electronic devices. The characteristics of light, thin, and low power consumption make it suitable for portable electronic devices. The rapid development of internet communication technology and software technology has stimulated demand for LCD products. The future design and application of electronic devices will affect the development trend of LCD and is described as follows:

◆ High resolution and wide viewing angle gradually become mainstream

Due to the technical demand of large size and high fidelity visual effects stimulated by LCD TVs, TFT panel prices have gradually come down with the large scale investments by several liquid crystal panel manufacturers. Owing to this, the development of small and medium size display panels is also in the direction of high resolution and wide viewing angle and shall lead to new end use application.

◆ Touch screen replace conventional keypad

As the smartphone market become mainstream for mobile phones, the conventional keypad has been gradually replaced by touch screen to make full use of the space on the phone. Recent launches of iPad seem to be on the trend of replacing small-size NB and prompt medium size LCD to become touch screen. Because of the popularization of the internet, networking has become more diverse and complex. The structure of resistive touch mode is no longer compatible with the demands of future development and the capacitive touch screen, with multi-touch function and high transmittance, gradually becomes the mainstream in the next wave of innovation.

### b. CTP

Although projected CTP has already become mainstream, manufacturers continue to research and develop the technology to make touch panel lighter, thinner, cheaper, and less power consuming. With expectations to meet consumer preferences with product specifications and widen the gap with competitors, touch panel manufacturers must accelerate the pace of new generation material or structure to meet the rapidly growing demand of mobile devices. Key directions of research and development are as follows:

◆ One glass solution (TOL or OGS)

Currently, the specifications and characteristics of glass capacitance are superior to film capacitance. However, the structure of two glass substrates (at least one sensor plus one cover lens) is not only costly, but also restricts weight as well as transmittance rate and is not favorable for promotion of future products. Therefore, domestic and foreign manufacturers are actively developing one glass technology that combines sensor and cover lens to save the cost of an additional glass, minus a lamination process, and reduce the thickness and weight of the touch panel module as well as improve transmittance rate.

Currently, only glass reinforcement has technical challenges remaining. Different from past reinforcement processes of sputtering conductive layer, cutting, and edge strengthening after strengthened glass enters the factory, front-end production before cutting is completed and then the glass is strengthened. Thus, avoiding the problem of unreinforced edges after cutting and successfully integrating interface onto one glass and reducing the weight of the sensor and improving product competitive advantage.

◆ Embedded Touch Technology

In-Cell and On-Cell are classified as embedded touch control panels and mainly used in smartphones. The main difference between the two is that the touch sensor is placed inside the cell structure of liquid crystal for the former, and the touch sensor is placed behind the color filter and bonded with the color filter structure. The foresaid uses cell gap inwards concave when touched to determine the capacitance value change and the difference in fixed capacitance, which is converted into voltage signals, to determine whether or not there is contact. It could also apply another type of optical induction embedded touch technology. The former needs to overcome more technical obstacles than the latter.

With solid supplies from Japanese, Korean, Taiwanese, and Chinese panel manufacturers, the percentage of In-Cell / On-Cell embedded touch structures for mobile phones are rising rapidly in overall use in smartphones. According IHS survey, as the mobile phone manufacturers used large amount of embedded touch panels, the shipment of embedded touch panels in 2016 exceeded the on-cell touch panel for the first time, which accounted for more than 50% in the whole market of mobile phone touch panel. Also, the market share of embedded touch panels in notebook exceeded the on-cell structure in 2017.

“Industrial Value Chain Information Platform” data showed 15% rise in LCD In-Cell shipment in 2016 because of bigger proportion on LCD In-Cell touch panel was used in China’s smart phone brand. Despite of the growing demand in 2017, the growth rate was downsized to 10% because the iPhone changed part of its panel to AMOLED instead of 100% usage on LCD In-Cell panel. With the rising demand on AMOLED panel, it will continue to cut down the development on LCD In-Cell panel. It is expected that growth rate of LCD In-Cell touch panel will be within 5% in 2018. On the other hand, smart phone maker in 2016 chose LCD On-Cell touch panel because of its thin and light features, so it created more space for thicker battery to increase its capacity. This brought up a three-digit growth rate in LCD On-Cell touch panel. In 2017, a certain amount of smart phone models in middle to lower price still carried LCD On-Cell touch panel. There was not much change in its demand.

In recent years, the Active Matrix Organic Light Emitting Diode (AMOLED) panel received more attention because it is adopted by high-end smart phones of Apple and Samsung. The market shipment is exclusively taken by Samsung SDI with On-Cell production technology. The shipment of AMOLED panel grew over three times since used in the Apple iPhone X. It increased from 40 million pieces in 2016 to 125 million pieces in 2017, and was expected to continue increasing in 2018. However, the growth rate might be much lower than previously expected to be double due to the unexpected lower sales volume in iPhone X. In addition, Japanese, Korean, and Chinese panel manufacturers are actively expanding the new capacity of AMOLED panel. The application in AMOLED panel will rapidly expand from mobile phone, television, VR, and wearable devices to automotive market. The embedded touch technology will evolve as well.

◆ Flexible substrate

Although ITO glass is the current mainstream technology used on glass capacitive, the substitution of other materials for substrate has become a key direction of research and development for manufacturers due to the significant consumer demand for flexible as well as the ITO glass production capacity limitations of some manufacturers. Substrates can generally be categorized into three types: ultra-thin glass substrate, stainless steel substrate, and plastic substrate. Substrate characteristics of different materials correspond with different production process conditions, temperature limitations, and display applications.

The advantage of using ultra-thin glass substrate on displays is the continued use of the now mature TFT LCD manufacturing process to directly reduce thickness and weight. When the thickness of the glass reaches 50~100  $\mu\text{m}$ , it could be bent to a certain degree of curvature. The disadvantage is the need to polish and grind the glass as well as additional shipping costs due to the fragility of glass.

Material characteristics of stainless steel is similar to that of glass, continued use of the now mature TFT LCD manufacturing process is also possible. However, since the material conducts electricity and has a rougher surface, isolation and surface smoothing is necessary. Also, because stainless steel substrates are not translucent, it can only be used reflective display or spontaneously display such as OLED.

Plastic substrates are impact resistant, light, translucent, has good flexibility, and meets the function needs for a new generation of displays. Common materials used for plastic substrates are PET, PEN, PC, and PES. Many manufacturers have invested in its research and development, but there are still many issues to resolve as there are also disadvantages in the production process, such as the poor chemical resistance of plastic substrates as well as its high coefficient of expansion when heated and low resistance to temperature. However, the replacement of ITO glass with plastic substrate has been a key focus of research and development for manufacturers due to the lighter weight, flexibility of plastic substrate and the ability to meet the needs curved three-dimensional shapes as well as consumer electronics that can bend freely.

#### D. Product Competition

Global supply and demand and product structure of small and medium size LCD have stabilized. Quality and prices of upstream and downstream critical components are integrated and transparent. Competitiveness lies the product design, marketing channels, cost control, production yield rates, and equipment utilization rate of manufacturers. Generally speaking, Taiwanese manufacturers still have a competitive advantage in automotive, industrial equipment, medical equipment, high-end communication products, and special niche products. Large scale standard consumer electronics markets and Chinese markets are no longer profitable for Taiwanese manufacturers, as they are now dominated by Hong Kong and Chinese manufacturers.

For technology development innovations in the touch panel industry, such as G/F/F, G1/F, G/F2 of thin film capacitors, G/G, OGS, TOL of glass capacitors, and highly technically difficult In-Cell, On-Cell technology, the invested cost and research and development required is impressive. Patent protection is usually applied for the research results. Due to low degrees of production process standardization, manufacturers without long history of operation and sufficient technical levels of autonomy will find it difficult to improve their product yield rates. How to actively elevate the level of technology and enhance early stage research and development ability will be the most important topic for the display touch panel integration manufacturers.

#### 5.1.3 Research and Development

A. The Company has invested NT\$96,265 thousand and NT\$102,547 thousand into research and development for 2017 and 2016 respectively. For 2018, NT\$102,330 thousand is planned to be invested into research and development.

B. Successfully developed technologies or products:

Item	R&D Results	Description of Benefits
1	Large Size GGG CTP Development by FMM Technology (21.5"~27")	Introduce new technology of Fine Metal Mask (FMM) and collaborate with laser etching to develop by new dry process. At present, 21.5" GGG products have been developed.
2	DITO Structure Touch Panel Development by FMM Technology	Introduce new technology of Fine Metal Mask (FMM) and collaborate with laser etching to develop DITO CTP products by new dry process. At present, 7" DITO CTP products have been developed.
3	Narrow Border / Bezel-less CTP Development	Through Glass Via(TGV) and Through Film Via(TFV) are meant to drill hole on substrate and fill the paste in hole so as to conduct circuit between topside and backside , which can reduce the trace area to reach the narrow border. Drilling hole by laser can attain 50 μm diameter and the paste is screen-printed by Ag material.

4	ECD (Electrochromic Device) Development	Our Electrochromic Device(ECD) is made by entirely solid and inorganic materials. It is able to switch between a transparent (“bleached”) state and a colored state when a voltage is applied. These devices can be applied to glare attenuation in automobile rearview mirrors. At present, 10.1” ECD product have been developed.
5	Microchip maXTouch Solution Development	We have been trained by Microchip to be the Microchip module partner. Now we have several projects including 4.3”, 4.8” and 7”, which are in development.
6	Gesture Recognition Technology Development	Develop 3D gesture technology with TI IC (FDC2214). Now we have made some easy gestures, and will develop more and better gestures in the near future.
7	3D Holographic Projection System with Touch-Gesture and Multi-view Functionality	Integrate 3D gesture functionality with 3D holographic projection system. Now we can operate 3D holographic projection system by using gestures to control static pictures and video operation.
8	Embedded Display Product	Our smart embedded solution is using the MCU system to combine the TFT-LCD and CTP to develop edt’s product. We had complete three type embedded product including 4.3”, 7” and 10.1”.
9	Patent Application	Number of patent proposals totaled 11. Number of patent grants totaled 14 (proposals accumulated in the previous years).

#### 5.1.4 Long-term and Short-term Development

##### A. Short-term Development

##### a. Optimization of production line equipment

In response to the high standard design requirements of TFT products, the Company integrate technology development of capacitive touch panel (CTP) as well as diversify the types of products. Lean production management shall be adopted and quality control automation equipment imported to improve product quality and meet the diverse needs of the market.

##### b. Extended import of advanced engineering technology

The Company shall import advanced engineering technology, change product module configuration and enhance production technology to allow product design abilities of the Company to correspond with the trends of light, thin, short, small, and refined, as well as meet the standards of design required for the harsh operating environment of the pan-industrial control market.

##### c. Actively expand marketing channels and improve service quality

The Company shall actively expand marketing channels and, along with the improvement of service quality and enhancement of product distribution efficiency, provide added value of “total solution” and gradually replace the traditional role of commodity supplier.

## B. Long-term Development

### a. Comprehensive development of flat panel display technology

In addition to the current M-STN and C-STN panels, the Company is actively involved in CTP development, LCD back-end engineering and modules for small and medium size TFT panels, as well as strengthening horizontal integration to comprehensively develop flat panel display technology.

### b. Continued upstream integration of critical materials

The Company will continue to improve the quality and yield rate of CTP as well as integrate upstream IC, cover lens, and lamination technology to ensure product quality, delivery date, expand client base, and strengthen competitive advantages.

### c. Continued development of future LCD products and production technologies

The Company will continue to enhance TFT production technology and optimize production capacity of Dong Guan factory to achieve progress in quality and quantity as well as the status of a leading professional manufacturer.

### d. Strengthen material supply system and lower the purchasing costs

Use of upstream and downstream channels with long term interactions to assist and strengthen the product quality of suppliers, increase purchase from local suppliers in China and establish a complete materials supply system.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Sales Region

End customers of the Company are mainly located in North America and Europe. Geographic areas of ordering clients and the percentages are: Asia 27.11%, Europe 37.81%, Americas 22.94%, other areas and domestic sales 12.14%.

#### B. Market Share

Small and medium size liquid crystal displays, capacitive touch panels, and modules are main product of the Company and components for liquid crystal display product. According to IEK statistics, gross output value of the global small and medium size display industry for 2017 was US\$55.72 billion. The operating revenue of the Company for that year was US\$99 million, accounting for about 0.18% of the total global panel module output value. Additionally, gross output of the global touch panel industry for 2017 was US\$44.7 billion. The operating revenue of the Company for touch panel related products for that year was US\$34 million, accounting for about 0.08% of the total global touch panel module output value.

#### C. Future demand, supply, and growth potential of the market

The demand for small and medium size panels have surged with the increasing application of smartphones and tablets. Furthermore, as product specifications move towards high resolution and wide viewing angle, production capacities are changing to small and medium size panels and manufacturers are switching production lines to small and medium size panels.

IHS data shows growing demand of panel in 2018 is mainly because the global economy recovery boosts demand for large size panel. The falling price of the panel will also stimulate the panel shipment. Hence, an estimation of 7.2% growth, equal to 210 million m<sup>2</sup>, in shipment dimension is expected in 2018, creating a new record high since 2014. However, with the falling price of the panel, the output growth is not as strong as the dimension growth. IHS estimates panel output of US\$126 billion (NT\$3.8 trillion) equal to only 1% growth rate in 2018.

The Internet of Things(IoT) has provided a completely new business model and vertical applications, revolutionized the industry, stimulated new market demands such as automotive display, smart watches, headwear display as well as digital bulletin boards, and has become the next new growth stimulant after handheld devices. With the integration of wearable devices and IoT as an example, the use of data mining analysis service will accelerate the innovation of applications and integration between industries. Since applications range from personal use, home use, and expands to outdoor activities, revolution is brought into the industrial ecosystem. Automotive display and wearable devices will be high growth products. According to IHS survey, the size of on-vehicle panel will continue to grow, and the shipment and output will grow each year. Until 2022, the output of three major appliances - center informative display, instrument cluster, and head up display, will reach US\$20.8 billion, thus become the target markets of the international large plant. Technology developments of IoT redefine the human-machine interface with the improvement of user experience and new solutions such as lighter and thinner design, flexible displays, and transparent displays. The industry will also move from the conventional competition of scale towards competition of value. Future business models for panel manufacturers will no longer focus on the scale of business, but instead how to flexibly respond and adjust product portfolios to changes in the market as well as gaining profit in a recession.

D. Competitive niche, advantages and disadvantages for future development, and corresponding policies

a. Competitive niche

◆ Strong management team

With over 25 years of experience in LCD related industries, the business team of the Company has seasoned technical and managerial personnel whom are highly sensitive to technology and market demands, and can therefore fully grasp LCD market trends. The Company not only values product research and development as well as quality improvement, but also innovates and expands into upstream and high added value products. Company employees have a strong sense of unity and stability. After the experience of recent financial turmoil, company policies have further foresight. The Company has successfully crossed into touch panel domain following existing pace of research and development, and become one of the leading manufacturers in the domestic LCD industry.

- ◆ Completed production and distribution system with major international company creating stable supply source and product channel

In aspect of quality, international quality certifications ISO 9001 and ISO 9002 have already been achieved in the early years. The Company is also the first manufacturer in the domestic LCD industry to achieve quality certification QS 9000 of the three major car manufacturers. In addition, upstream suppliers undergo strict selections to ensure the excellent quality of products.

In aspect of order delivery date, the Company has overcome LCD, LCM industry characteristics of numerous product range and specifications as well as short delivery date by relying flexible production process and good cooperating relations with critical material suppliers obtained over the years. Accurate delivery dates and stable quality from production lines has allowed the Company to obtain orders from major international companies and even become a long term cooperating strategic partner of these companies.

- ◆ Development towards vertical integration, increase product added value, and enhance competitiveness

The Company has always expanded market and clients via quality, technology, and service and has very competitive performance in “Interactive Display Solution”, which derives from the integration of display and touch panel functions. Whether it is the optical bonding production capability and yield rate, which the product itself is high demanding, or the technical support of client application software compatibility testing, the Company performs far beyond average industry standards.

- ◆ Excellent quality and stable orders

In addition to company managerial personnel, who are all from well-known international and domestic manufacturers with years of technology experience, use of technically advanced equipment and strict control of product flow to improve yield rate from the very beginning has allowed the quality of company products to remain stable and achieve certification from international companies for niche products such as the internet phone, mobile clinic, high end servers, industrial human-machine interface, and home automated security systems. Once certified, entry to their long-term supplier system is allowed and along with opportunities for stable orders. Hence, performance of the Company is supported by a long term and stable client basis.

b. Advantages for future development

- ◆ Steady growth in demand for touch panel and modules

Driven by the emerging application products such as 2-in-1 tablet, on-vehicle and wearable devices, plus the increasing demands for automotive touch panels, it is estimated that the scale of touch panel market would keep stable growth. Moreover, applications of capacitive touch panels continue to increase, covering game machines, educational tablets, white goods, GPS, public information inquiry system (KIOSK), ATM, POS system, vending machines, and so on. Extensive use of capacitive touch panels shows that there is considerable growth potential in the pan-industrial control market for the touch panel industry.

◆ Rise of the Internet of Things(IoT) boosts development of smart wearable devices

With the rapid developments of the IoT and big data analysis technology, the demand for the smart wearable devices that are able to sense and collect data is getting obvious. Whether it is retail business, transportation and logistics, agricultural and stock farming, smart city developing, or medical service, they all need this data collecting and analysing process in order to make the best decision from the latest update. However, the smart wearable devices such as smart glasses, smart watch, and smart bracelet, are unable to go viral in the consumption market like smart phone did. Try to make its way into other niche markets is an important way out for the smart wearable devices in the future.

Fortunately, with the improving internet medical technology, the wearable devices with sensors for collecting human body related information make personalized accurate treatment achievable. In the aspects of disease prevention and care management, it enables long distance and home care services to improve life quality for the patient and lower medical burden, therefore found the blue ocean for the wearable devices. Smart wearable devices work effectively in medical appliance, and make the associated technology such as sensor and AMOLED panel develop rapidly. According to IEK research, with the maturity of the IoT appliance market, it makes the devices of IoT with sensor function grow by leaps and brings ratio of the sensor to 8.7% in the medical market. Estimation on output compound annual growth rate will reach 13.7% between 2015 to 2020. In addition, according to market research institute IDC survey, global IoT market value will reach US\$8.9 trillion in 2020. Between 2013 to 2020, compound annual growth rate of the IoT facility will reach up to 17.5%. There will be over 50 billion IoT devices in the world. Therefore, the IoT is considered the biggest business opportunity followed by the mobile device, and will drive the continuing growth of small and medium size display market as well as broaden future development.

◆ Establishment and formation of upstream critical components and materials industry supply system

In the past, all critical components and materials of the liquid crystal display industry were in the hands of major foreign manufacturers. The development of domestic manufacturers was limited by the access to critical components and materials. The situation has been improved under the strong support from the government. According to statistics from Industrial Technology Research Institute IEK ITIS plan, there are currently several suppliers of glass substrates, color filters, polarizers, backlight modules, ITO conductive glass, and driver IC. Coupled with supplies from foreign manufacturers, upstream critical components and materials industry supply system has been firmly formed and will contribute to the continuing development of the domestic liquid crystal display industry.

c. Disadvantages for future development and corresponding policies

- ◆ Touch panel industry gradually enters the highly mature stage. Due to good prospects on applications, competitors continue expansion of new production lines and increasing the risk of imbalance between production and distribution

Diverse development of application product market stimulates continued growth in touch panel market demand. However, market competition has become increasingly fierce, especially with new entrants competing over markets with lower technical threshold. Overall market price for products is pressured to go down.

Corresponding policies:

Actively improve and change the production process and design to increase the value of product portfolio and satisfy the diverse needs of clients. Also, enhance flexibility and speed of product assembly to shorten production schedule and enhance product competitiveness. In addition, import of automated production equipment and improvement of production process as well as implementation of lean management and production division between cross-strait facilities to fully achieve the complementary effect of compared interests, lower production costs and enhance company competitiveness.

- ◆ Reliance on foreign suppliers for critical materials

The supply of upstream materials such as the control IC and ITO conductive glass cannot meet the growth of the LCD and CTP industries, leading to tight supply of upstream materials and affecting the delivery time

Corresponding policies:

Maintain at least two or more main material suppliers and establish close partnerships within the critical upstream supply chain.

## 5.2.2 Production Procedures of Main Products

### A. Major Products and Their Main Uses

- (1) Mobile phones
- (2) Hand-held equipment
- (3) Security system
- (4) Medical equipment
- (5) Industrial application equipment
- (6) Telephone communication equipment
- (7) Commercial equipment
- (8) Automotive related application
- (9) POS financial equipment
- (10) Consumer tablet
- (11) Household appliances

## B. Major Products and Their Production Processes

LCD, LCM, T/P, and CF are the Company's main products. The manufacturing process are as follows:

### a. LCD

#### ◆ Front-end engineering

LCD Photo process → Insulator coating → PI coating → PI rubbing → Seal printing → Spacer spread → Assembly → Hard press → Curing inspection

#### ◆ Back-end engineering

LCD cutting → LC sealing → Function inspection → Polarizer attachment → Cosmetic inspection → Warehousing

### b. LCM

#### ◆ Assembly

SMT process → LCM assembly process → Final inspection → OQC → Packing  
 SMT process → COB process → LCM assembly process → Final inspection → OQC → Packing

#### ◆ COG

SMT process → COG process → LCM assembly process → Final inspection → OQC → Packing

#### ◆ TAB

SMT process → TAB process → LCM assembly process → Final inspection → OQC → Packing

### c. T/P

ITO Sputtering → Photo etching → OC coating → ITO Sputtering → Photo etching → Metal Sputtering → Metal etching → OC coating → ITO sputtering → Sensor cutting → FPC bonding → C/L+Sensor lamination → Inspection → Warehousing

### d. CF

Glass cleaning → R color coating → Drying → Exposure → Developing → (Same process as G color & B color)  
 Hard baking → Cleaning → OC coating → UV curing → Hard baking → Cleaning → ITO Sputtering → Inspection → Warehousing

## 5.2.3 Supply Status of Main Materials

Main Materials	Source of Supply
Backlight Module	Taiwan
Driver IC	Taiwan
ITO Glass	Taiwan / China
Liquid Crystal	Japan / China
Polarizer	Taiwan / China
Panel	Taiwan
Touch IC	Taiwan
Cover Lens	Taiwan
TFT Module	Taiwan

## 5.2.4 Major Suppliers and Clients

### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2017				2016			
	Company Name	Amount	Percent (%)	Relation With Issuer	Company Name	Amount	Percent (%)	Relation With Issuer
1	AAA	226,855	12.41	None	AAA	212,483	12.32	None
2	BBB	145,912	7.98	None	BBB	191,528	11.11	None
	Others	1,455,036	79.61		Others	1,320,159	76.57	
	Net Total Supplies	1,827,803	100.00		Net Total Supplies	1,724,170	100.00	

Purchased from AAA and BBB supplier increased/decreased due to the adjustment of the Company's sales of product mix.

### B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2017				2016			
	Company Name	Amount	Percent (%)	Relation With Issuer	Company Name	Amount	Percent (%)	Relation With Issuer
1	CCC	404,143	13.45	None	CCC	404,912	12.74	None
2	DDD	293,407	9.76	None	DDD	334,908	10.53	None
	Others	2,307,586	76.79		Others	2,439,099	76.73	
	Net Sales	3,005,136	100.00		Net Sales	3,178,919	100.00	

The sales to customer CCC and DDD increased/decreased due to the demand from end customers.

## 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands / thousand pcs

Major Products	Year	2017			2016		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
LCD Module		840	363	234,363	840	494	285,508
LCM Module		27,120	8,119	1,955,832	27,120	8,236	1,959,737
T/P Sensor & Module		8,244	1,942	1,075,008	8,244	1,745	972,536
Total		(Note)	(Note)	3,265,203	(Note)	(Note)	3,217,781

Note: Can not be added up due to different kinds of units.

## 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands / thousand pcs

Major Products	Year	2017				2016			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LCD Module		—	—	—	—	—	—	—	
LCM Module		80	90,596	5,897	1,925,163	47	55,764	6,468	2,067,033
T/P Sensor & Module		115	207,312	578	760,033	120	145,025	542	871,071
Others		—	4,400	—	17,632	—	5,036	—	34,990
Total		195	302,308	6,475	2,702,828	167	205,825	7,010	2,973,094

## 5.3 Human Resources

		Dec. 31, 2017	Dec. 31, 2016	Mar. 31, 2017
Number of Employees	Management Employee	80	86	80
	Indirect Employee	360	380	358
	R&D Employee	95	90	91
	Operator	615	604	595
	Total	1,150	1,160	1,124
Average Age		39.6	38.8	39.8
Average Years of Service		10.1	9.7	10.5
Education	Ph.D.	0.1%	0.1%	0.1%
	Masters	4.5%	4.3%	4.4%
	Bachelor's Degree	30.9%	31.3%	31.0%
	Senior High School	44.1%	45.2%	43.8%
	Below Senior High School	20.4%	19.1%	20.7%

## 5.4 Environmental Protection Expenditure

### 5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: The Company produces and sales liquid crystal display panels, capacitive touch panels, and its modules. The waste and other hazardous materials generated during the production process are handled in accordance with related air pollution prevention and environmental protection laws and regulations. There is no issue of industrial pollution.

### 5.4.2 Response to the implementation of EU Restriction of Hazardous Substances (RoHS) Directive

- A. Establish codes of environmentally prohibited substances and require the cooperation and implementation of relevant units.
- B. Import supplier management system and apply for government assistance to counsel and audit suppliers.
- C. Discontinue purchase of non-RoHS materials and consumables and seek alternative materials.
- D. Purchase testing equipment for sampling inspection.
- E. Irregularly educate and train employees to strengthen environmental awareness.

## 5.5 Labor Relations

### 5.5.1 Employee benefits, education and training, retirement system as well as the state of implementation, and agreements between employers and employees, and measures for preserving employee rights and interests

#### A. Employee benefits

Bonus / Subsidy	Insurance	Leave
<ul style="list-style-type: none"> <li>● Year-end bonus</li> <li>● Employee bonus</li> <li>● Employee stock options</li> <li>● KPI performance bonus</li> <li>● Subsidy for marriage / childbirth</li> <li>● Subsidy for hospitalization / funeral</li> <li>● Gift for holiday and birthday</li> <li>● Scholarship for employee / offspring of employee</li> <li>● Transportation / housing subsidy for employees located outside Kaohsiung</li> <li>● Subsidy for cafeteria meals</li> <li>● Company-paid regular physical examination</li> <li>● Subsidy for leisure travel</li> <li>● Subsidy for enjoying artistic and cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>● Labor insurance</li> <li>● National health insurance</li> <li>● Appropriated labor pension</li> <li>● Group insurance for employees and their dependents</li> <li>● Endowment insurance</li> <li>● Medical insurance</li> <li>● Unemployment insurance</li> <li>● Work injury insurance</li> <li>● Maternity insurance</li> <li>● Housing provident fund</li> </ul>	<ul style="list-style-type: none"> <li>● Paid annual leave</li> <li>● Personal leave with pay</li> <li>● Sick leave</li> <li>● Maternity leave</li> <li>● Parental leave</li> <li>● Bereavement leave</li> <li>● Leave for prenatal visits</li> <li>● Accompanying maternity leave</li> <li>● Menstrual leave</li> </ul>

#### B. Education and training

- ◆ Expenses for education and training of 2017 were NT\$70 thousand. Education and training focused on course regarding environment / safety / health and training regarding specific equipment operation.
- ◆ Human resources are the greatest asset in the sustainable company. The Company implements training for all employees and provides long term training of personnel to allow for continuous improvements and innovation. The main purpose of education and training is to enhance managerial ability and share professional skills. The most effective use of themed planning of education and training each year will cultivate employees more compatible with the corporate culture.
- ◆ In addition to general professional training for new employees, managerial training for management of all levels, and professional training within departments, implementation of key courses planned in accordance with annual company strategies will enhance the abilities of employees and also achieve the annual goal.

### C. Retirement system

- ◆ The Company follows the government's related regulations to monthly allocate retirement preparation funds in a certain percentage based on the total salary to a saving account in the Bank of Taiwan as retirement payment for the employee's seniority in old pension system of the Labor Standard Laws. For employee (including informal employee) with the Labor Pension Act in new pension system, 6% of the total salary will be allocated monthly to a personal account of retirement fund in the Bureau of Labor Insurance.
- ◆ Labor pension supervisory committee has been established and government organizations notified in accordance with regulations. The committee is responsible for matters related to allocations of the employee retirement reserve funds.
- ◆ The Company has also adopted codes for employee retirement and full-time employees are all applicable from their date of employment.
- ◆ Pension for overseas subsidiaries are of defined contribution plan and social security payments for pension and health care are made each month in accordance with local government regulations.
- ◆ In 2017, 1 person has applied for voluntary retirement in accordance with Article 53 of Labor Standards Act and departed according to relevant retirement regulations.
- ◆ Other important agreements: None.

### **5.5.2 Losses suffered from labor disputes during the most recent year or during the current fiscal year up to the date of printing of the annual report, and disclosure of estimated amount and corresponding measures for current and future possibilities**

- A. The Company pays close attention to the welfare of employees and emphasizes two-way communication between employers and employees to promote harmonious labor relations. There are no labor disputes during the most recent year or during the current fiscal year up to the date of printing of the annual report and no losses suffered from disputes. As the Company believes in mutual benefits for both parties, possibility of future labor disputes and losses are minute.
- B. Estimated amount and corresponding measures for current and future possibilities: None

### **5.5.3 Employee behavior or ethnic codes**

The Company has adopted several codes and regulations regarding employee behavior and ethnics to allow employees to follow on for their ethnics, rights, obligations, and behaviors. The regulations are summarized as follows:

- A. Codes of authorization: To improve work efficiency, strengthen level responsibility management, and effectively regulate the rights of all employees.
- B. Job description of departments: Clear specification of the job description and organization function of each unit.
- C. Rules of work: Reward or punishment based on employee behavior or action resulting in company gains or losses.
- D. Regulations for new employee education and training: Arrangements for new employees will be made as soon as possible to eliminate the anxiety of an new environment and allow the new employees to become familiar with the work environment and colleagues as well as fulfill their productivity and lower departure rate of new employees.
- E. Codes for attendance: Reference to follow for employee leave and absence.
- F. Codes for assessment: To improve the assessment system and establish employee discipline. Annual assessment of employee performance will be used as basis for raise, promotion, bonuses, and the arrangement of education and training.
- G. Sexual harassment prevention and measures: To prevent sexual harassment in the workplace and maintain gender equality as well as human dignity, the speech and behavior of employees are regulated.
- H. Codes for intellectual property rights: To protect trade secrets, commercial interests and competitiveness of the Company as well as to prevent losses caused by leaks.
- I. Codes for Ethical Management: To implement ethnical management policy and actively prevent misconduct, the code specifies and regulates employees when performing their duties.

### **5.5.4 Protection measures for the work environment and personal safety of employees**

- A. Adopt codes for environmental safety management.
- B. Establish managerial unit and personal for safety and hygiene:
  - ◆ Establish safety and hygiene managerial unit in accordance with the Occupational Safety and Health Act.
  - ◆ Equip operating site with emergency personnel and arrange refresher training in accordance with the Occupational Safety and Health Act.

- ◆ Operators of organic solvents, specific chemicals, dangerous machinery and equipment, and high pressure gas equipment must be trained and has licensed certificate. Refresher training is to be arranged in accordance with the Occupational Safety and Health Act.
  - ◆ Hold monthly environment safety meetings and discuss issues related to environment safety.
  - ◆ Arrange fire and safety audit every month.
- C. Fire prevention and facility safety
- ◆ Monthly maintenance and inspection of lift by commissioned maintenance company, annual review by qualified inspection agency.
  - ◆ Fire equipment inspection by faculty division, annual review by qualified inspection agency.
  - ◆ High pressure gas equipment inspection by faculty division, annual review by qualified inspection agency.
- D. Health and hygiene
- ◆ Biannual operations environment check.
  - ◆ Annual physical examinations and particular physical checkups for employees.
  - ◆ Infirmary equipped with on-site nurses and occupational doctors to provide the appropriate medical assistance.
- E. Achieved OHSAS18001 Certification for labor safety and health.

## 5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Syndicated loan	6 banks, including E.Sun Bank	November 17, 2016 ~ November 17, 2019	Syndicated loan totaling NT\$800 million	Maintenance of specific financial ratio
Product liability insurance	Fubon Insurance	November 1, 2017~ November 1, 2018	Product liability insurance	None
Liability insurance for directors and supervisors	Fubon Insurance	January 18, 2017 ~ January 18, 2018	Liability insurance for directors and supervisors	None
Errors & omissions insurance	Fubon Insurance	August 1, 2017 ~ August 1, 2018	Errors & omissions insurance	None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item		Year	Financial Summary for The Last Five Years				
			2017	2016	2015	2014	2013
Current assets			2,906,821	2,752,789	2,968,777	2,636,729	2,605,662
Property, Plant and Equipment			391,411	459,027	537,810	613,560	740,953
Intangible assets			3,540	3,868	3,525	2,957	3,131
Other assets			233,351	238,164	250,821	296,446	331,433
Total assets			3,535,123	3,453,848	3,760,933	3,549,692	3,681,179
Current liabilities	Before distribution		1,136,283	1,321,702	1,338,994	762,251	980,691
	After distribution		Undistributed	1,391,727	1,399,266	762,251	980,691
Non-current liabilities			481,278	91,477	305,870	654,848	747,171
Total liabilities	Before distribution		1,617,561	1,413,179	1,644,864	1,417,099	1,727,862
	After distribution		Undistributed	1,483,204	1,705,136	1,417,099	1,727,862
Equity attributable to shareholders of the parent			1,835,532	1,960,302	2,035,827	2,052,068	1,872,047
Capital stock			1,834,076	1,949,076	2,149,076	2,261,076	2,261,076
Capital surplus			23,873	33,663	27,955	6,294	6,294
Retained earnings (accumulated deficit)	Before distribution		325,664	338,384	216,937	(56,128)	(223,624)
	After distribution		Undistributed	268,359	156,665	(56,128)	(223,624)
Other equity interest			(74,872)	(87,612)	(99,001)	(36,892)	(49,417)
Treasury stock			(273,209)	(273,209)	(259,140)	(122,282)	(122,282)
Non-controlling interest			82,030	80,367	80,242	80,525	81,270
Total equity	Before distribution		1,917,562	2,040,669	2,116,069	2,132,593	1,953,317
	After distribution		Undistributed	1,970,644	2,055,797	2,132,593	1,953,317

Note 1: Until the date of annual report issuance, the financial data of the latest period audited or reviewed by the CPA are fully disclosed.

Note 2: The amounts after distribution was in accordance with the resolution of shareholders' meeting in next year.

## 6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2017	2016	2015	2014	2013
Operating revenue	3,005,136	3,178,919	3,476,757	3,919,890	3,635,599
Gross profit	510,662	627,726	693,909	567,716	458,233
Income from operations	104,516	184,395	235,128	114,402	30,462
Non-operating income and expenses	(37,308)	31,589	82,016	98,753	30,685
Income before tax	67,208	215,984	317,144	213,155	61,147
Net income	55,571	187,846	266,637	169,993	49,807
Other comprehensive income (loss) (after tax)	16,137	5,387	(62,258)	9,283	4,617
Total comprehensive income	71,708	193,233	204,379	179,276	54,424
Net income attributable to shareholders of the parent	54,314	187,772	265,977	170,881	50,694
Net income (loss) attributable to non-controlling interest	1,257	74	660	(888)	(887)
Comprehensive income attributable to Shareholders of the parent	70,045	193,108	204,662	180,021	55,017
Comprehensive income (loss) attributable to non-controlling interest	1,663	125	(283)	(745)	(593)
Earnings per share (NT\$)	0.33	1.03	1.25	0.79	0.23

Note 1: Until the date of annual report issuance, the financial data of the latest period audited or reviewed by the CPA are fully disclosed.

### 6.1.3 Parent-Company-Only Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Year		Financial Summary for The Last Five Years				
		2017	2016	2015	2014	2013
Current assets		2,762,047	2,633,944	2,839,237	2,509,682	2,443,481
Property, Plant and Equipment		324,512	383,070	453,128	522,594	640,678
Intangible assets		3,425	3,868	3,521	2,902	2,951
Other assets		375,943	377,976	390,676	434,897	482,882
Total assets		3,465,927	3,398,858	3,686,562	3,470,075	3,569,992
Current liabilities	Before distribution	1,149,117	1,347,079	1,344,865	763,170	950,774
	After distribution	Undistributed	1,417,104	1,405,137	763,170	950,774
Non-current liabilities		481,278	91,477	305,870	654,837	747,171
Total liabilities	Before distribution	1,630,395	1,438,556	1,650,735	1,418,007	1,697,945
	After distribution	Undistributed	1,508,581	1,711,007	1,418,007	1,697,945
Capital stock		1,834,076	1,949,076	2,149,076	2,261,076	2,261,076
Capital surplus		23,873	33,663	27,955	6,294	6,294
Retained earnings (accumulated deficit)	Before distribution	325,664	338,384	216,937	(56,128)	(223,624)
	After distribution	Undistributed	268,359	156,665	(56,128)	(223,624)
Other equity interest		(74,872)	(87,612)	(99,001)	(36,892)	(49,417)
Treasury stock		(273,209)	(273,209)	(259,140)	(122,282)	(122,282)
Total equity	Before distribution	1,835,532	1,960,302	2,035,827	2,052,068	1,872,047
	After distribution	Undistributed	1,890,277	1,975,555	2,052,068	1,872,047

Note: Until the date of annual report issuance, the financial data of the latest period audited or reviewed by the CPA are fully disclosed.

### 6.1.4 Parent-Company-Only Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2017	2016	2015	2014	2013
Operating revenue	2,934,938	3,045,089	3,377,472	3,808,981	3,507,630
Gross profit	399,068	500,801	548,851	461,678	335,170
Income from operations	102,666	187,179	217,529	133,902	38,483
Non-operating income and expenses	(38,700)	24,428	96,739	75,800	15,612
Income before tax	63,966	211,607	314,268	209,702	54,095
Net income	54,314	187,772	265,977	170,881	50,694
Other comprehensive income (loss) (after tax)	15,731	5,336	(61,315)	9,140	4,323
Total comprehensive income	70,045	193,108	204,662	180,021	55,017
Earnings per share (NT\$)	0.33	1.03	1.25	0.79	0.23

Note: Until the date of annual report issuance, the financial data of the latest period audited or reviewed by the CPA are fully disclosed.

### 6.1.5 Auditors' Opinions for The Last Five Years

Year	Accounting Firm	CPA	Audit Opinion
2013	KPMG	Kuo Tsung, Chen / Chen Lung, Hsu	Modified Unqualified
2014	KPMG	Kuo Tsung, Chen / Chen Lung, Hsu	Modified Unqualified
2015	KPMG	Po Jen, Yang / Kuo Tsung, Chen	Unqualified
2016	KPMG	Po Jen, Yang / Kuo Tsung, Chen	Unqualified
2017	KPMG	Po Jen, Yang / Kuo Tsung, Chen	Unqualified

## 6.2 Five-Year Financial Analysis

### 6.2.1 Consolidated Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years				
			2017	2016	2015	2014	2013
Financial structure (%)	Debt Ratio		45.76	40.92	43.74	39.92	46.94
	Ratio of long-term capital to property, plant and equipment		612.87	464.49	450.33	439.53	352.70
Solvency (%)	Current ratio		255.82	208.28	221.72	345.91	265.70
	Quick ratio		183.01	149.59	157.14	232.19	172.02
	Interest earned ratio (times)		719.14	1936.29	2065.44	1189.08	449.45
Operating performance	Accounts receivable turnover (times)		6.58	7.19	7.34	7.12	6.16
	Average collection period		55.47	50.76	49.72	51.26	59.25
	Inventory turnover (times)		2.93	2.90	2.98	3.43	3.20
	Accounts payable turnover (times)		7.21	7.13	7.24	7.28	6.39
	Average days in sales		124.57	125.86	122.48	106.41	114.06
	Property, plant and equipment turnover (times)		7.07	6.38	6.04	6.39	4.91
	Total assets turnover (times)		0.86	0.88	0.95	1.08	1.01
Profitability	Return on total assets (%)		1.85	5.48	7.66	5.15	1.79
	Return on stockholders' equity (%)		2.81	9.04	12.55	8.32	2.64
	Pre-tax income to paid-in capital (%)		3.66	11.08	14.76	9.43	2.70
	Profit ratio (%)		1.85	5.91	7.67	4.34	1.37
	Earnings per share (NT\$)		0.33	1.03	1.25	0.79	0.23
Cash flow	Cash flow ratio (%)		(8.64)	30.35	27.98	63.88	20.99
	Cash flow adequacy ratio (%)		321.24	483.50	313.85	186.49	181.86
	Cash reinvestment ratio (%)		(Note 2)	6.31	6.49	7.77	3.39
Leverage	Operating leverage		1.83	1.61	1.55	2.68	8.49
	Financial leverage		1.12	1.07	1.07	1.21	2.35

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

- Ratio of long-term capital to property, plant and equipment was higher due to the drawdown of syndicated loan in 2017 to repay short-term borrowing and cover operation needs, therefore noncurrent liabilities increased by 426.12% to NT\$389,801 thousand.
- Current ratio and quick ratio were higher due to customer portfolio changes in 2017, therefore year-end accounts receivable greatly increased by 30.28% to NT\$113,987 thousand than 2016 and caused current assets to increase by 5.60%. Moreover, the drawdown of syndicated loan to repay short-term borrowing cause current liabilities to decrease by 14.03% to NT\$185,419 thousand than 2016.
- Interest earned ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, profit ratio and earnings per share were all greatly lower due to the unfavorable exchange rates, therefore income before tax decreased by 68.88% to NT\$148,776 thousand than 2016 and net income after tax decreased by 70.42% to NT\$132,275 thousand.
- Cash flow ratio was greatly lower due to income before tax in 2017 decreased NT\$148,776 thousand than 2016, and accounts receivable and inventories increased. It caused net cash flows from operating activities in 2017 to turn to outflows and increase significantly by 124.47% to NT\$499,325 thousand than 2016.
- Cash flow adequacy ratio decreased was due to cash outflows from operating activities in 2017 caused net cash flows from operating activities in the recent five years to decrease by 24.16% to NT\$436,583 thousand than 2016. Moreover, with cash dividend issued two years in a row, it caused an increase of NT\$66,434 thousand in recent five years, equaled to 115.62% compared with 2016.
- Cash reinvestment ratio decreased was due to cash outflows from operating activities in 2017.

Note 1: Until the date of annual report issuance, the financial data of the latest period audited or reviewed by the CPA are fully disclosed.

Note 2: It is not applicable because net cash flows from operating activities minus cash dividends is negative.

## 6.2.2 Parent-Company-Only Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years				
		2017	2016	2015	2014	2013
Financial structure (%)	Debt Ratio	46.85	42.32	44.78	40.86	47.56
	Ratio of long-term capital to property, plant and equipment	713.94	535.61	516.78	500.63	395.21
Solvency (%)	Current ratio	241.89	195.53	211.12	328.85	257.00
	Quick ratio	183.68	147.21	160.69	238.15	180.06
	Interest earned ratio (times)	690.20	1899.69	2048.95	1171.44	409.18
Operating performance	Accounts receivable turnover (times)	5.30	5.50	5.67	5.66	4.73
	Average collection period	68.87	66.36	64.37	64.54	77.16
	Inventory turnover (times)	3.50	3.46	3.69	4.19	4.04
	Accounts payable turnover (times)	8.71	8.48	9.00	9.05	8.02
	Average days in sales	104.29	105.49	98.92	87.12	90.34
	Property, plant and equipment turnover (times)	8.30	7.28	6.92	7.29	5.47
	Total assets turnover (times)	0.86	0.86	0.94	1.08	0.99
Profitability	Return on total assets (%)	1.85	5.58	7.81	5.32	1.85
	Return on stockholders' equity (%)	2.86	9.40	13.01	8.71	2.75
	Pre-tax income to paid-in capital (%)	3.49	10.86	14.62	9.27	2.39
	Profit ratio (%)	1.85	6.17	7.88	4.49	1.45
	Earnings per share (NT\$)	0.33	1.03	1.25	0.79	0.23
Cash flow	Cash flow ratio (%)	(5.49)	28.75	26.82	65.96	21.79
	Cash flow adequacy ratio (%)	317.74	442.62	297.00	212.92	206.77
	Cash reinvestment ratio (%)	(Note 2)	6.39	6.67	8.49	3.61
Leverage	Operating leverage	1.72	1.52	1.57	2.30	6.40
	Financial leverage	1.12	1.07	1.08	1.17	1.83

Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%)

- Ratio of long-term capital to property, plant and equipment was higher due to the drawdown of syndicated loan in 2017 to repay short-term borrowing and cover operation needs, therefore noncurrent liabilities increased by 426.12% to NT\$389,801 thousand.
- Current ratio and quick ratio were higher due to customer portfolio changes in 2017, therefore year-end accounts receivable greatly increased by 24.46% to NT\$115,719 thousand than 2016 and caused current assets to increase by 5.86%. Moreover, the drawdown of syndicated loan to repay short-term borrowing cause current liabilities to decrease by 14.70% to NT\$197,962 thousand than 2016.
- Interest earned ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, profit ratio and earnings per share were all greatly lower due to the unfavorable exchange rates, therefore income before tax decreased by 69.77% to NT\$147,641 thousand than 2016 and net income after tax decreased by 71.07% to NT\$133,458 thousand.
- Cash flow ratio was greatly lower due to income before tax in 2017 decreased NT\$147,641 thousand than 2016, and accounts receivable and inventories increased. It caused net cash flows from operating activities in 2017 to turn to outflows and increase significantly by 116.13% to NT\$449,766 thousand than 2016.
- Cash flow adequacy ratio decreased was due to cash outflows from operating activities in 2017 caused net cash flows from operating activities in the recent five years to decrease by 21.77% to NT\$388,441 thousand than 2016. Moreover, with cash dividend issued two years in a row, it caused an increase of NT\$66,434 thousand in recent five years, equaled to 115.62% compared with 2016.
- Cash reinvestment ratio decreased was due to cash outflows from operating activities in 2017.

Note 1: Until the date of annual report issuance, the financial data of the latest period audited or reviewed by the CPA are fully disclosed.

Note 2: It is not applicable because net cash flows from operating activities minus cash dividends is negative.

### 6.3 Supervisors' Review Report for the Most Recent Year

#### Emerging Display Technologies Corp. Supervisors' Review Report

The Board of Directors report the business report, consolidated financial statements, parent-company-only financial statements and profit allocation proposal of 2017. Of the said documents, the financial statements have been duly audited by Certified Public Accountants Po Jen, Yang and Kuo Tsung, Chen of KPMG Taiwan.

The above business report, consolidated financial statements, parent-company-only financial statements and profit allocation proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the audited report. Please review.

Submitted to:

2018 Shareholders' Meeting of the Company

Emerging Display Technologies Corp.

Supervisor: Lin, Yu-Fen



Supervisor: Tseng, Shu-Ling



Supervisor: Chu, Min



March 21, 2018

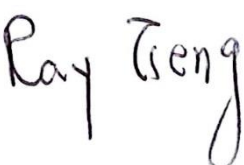
## 6.4 Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

### Representation Letter

The entities that are required to be included in the combined financial statements of Emerging Display Technologies Corp. as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements."

In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Emerging Display Technologies Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,  
Emerging Display Technologies Corp.

Chairman: 

March 14, 2018

## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Emerging Display Technologies Corp. and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards(IFRS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations(SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

## **1. Valuation of inventory**

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

Description of key audit matters:

Inventory is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Group is engaged in the manufacture and sale of liquid crystal displays and capacity touch panels. The Group focuses on the small and medium sized niche markets of non-consumable area. The products are used in industrial equipment, smart home devices, handheld devices, and information appliance products. The development strategy of the Group is focused on diversified and customized product. The impact to assess provision includes the purchasing and write down of the components which are used in diversified and customized products, the management of safety stocks levels, and production planning which effects the inventory cost. As a result there is a risk that the net realizable value of inventory falls below its carrying value. Therefore this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included selecting samples to test the accuracy of inventory aging report; analyzing the changes of inventory aging; assessing the reasonableness of the accounting policy, such as provision of inventory valuation and obsolescence, reviewing the accuracy of prior year's inventory allowance and understanding the basis of selling price used by the management for evaluating the reasonableness of the net realizable value. Moreover, assessing the changes of obsolescence inventory in the subsequent events, and the basis of net realizable value to evaluate the accuracy of the Group's provisions. In addition, assessing the appropriateness of the provisions and disclosures made by the management.

## **2. Valuation of receivable**

Please refer to Note 4(g) and Note 5(a) of the consolidated financial statement for receivable and accounting estimate of receivable valuation, respectively. Information regarding the account receivable impairment assessment is shown in Note 6 (f) of the consolidated financial statement.

Description of key audit matters:

The Group's customers are the manufacturers of industrial equipment, smart home devices, handheld devices, and information appliance product. The cause of some customers delayed payment was there is a need to clarify the responsibility of problematic products that resulted from the failure of process or the usage of end product. Because of the inherent credit risk of receivables, management has subjective and significant judgments with the balance of allowance for bad debts from receivables. Therefore this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the processes of account checking with customers and collecting; analyzing receivable aging report; assessing the reasonableness of the provision of receivable by reviewing the historical accuracy on provision, historical receipt records, industrial economy, and concentration of credit risk; and considering the adequacy of the Group's disclosures in the accounts.

### **Other Matters**

We have also audited the parent company only financial statement of Emerging Display Technologies Corp. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance including supervisors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Po Jen, Yang and Kuo Tsung, Chen.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2018

#### Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2017 and 2016**  
**(Expressed in thousands of New Taiwan dollars)**

ASSETS	2017.12.31		2016.12.31		LIABILITIES AND EQUITY	2017.12.31		2016.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS :</b>					<b>CURRENT LIABILITY :</b>				
Cash and cash equivalent (Note 6(a))	\$ 1,148,720	33	744,653	22	Short-term loans (Notes 6(m) and 8)	\$ 557,000	16	712,000	21
Financial assets at fair value through profit or loss-current (Note 6(b))	-	-	4,655	-	Notes payable	1,141	-	2,203	-
Current available for sale financial assets (Note 6(c))	417,630	12	408,905	12	Accounts payable	343,654	10	344,224	10
Current investments in debt instrument without active market (Notes 6(d) and 8)	4,423	-	420,428	12	Other payables	197,414	6	228,455	6
Accounts receivable, net (Note 6(f))	490,408	14	376,421	11	Current tax liabilities	18,235	-	13,485	-
Other receivables (Note 6(f))	16,702	-	19,602	-	Other current liabilities	18,839	-	21,335	1
Current tax assets	1,419	-	2,782	-		<u>1,136,283</u>	<u>32</u>	<u>1,321,702</u>	<u>38</u>
Inventories (Note 6(g))	783,309	22	754,529	22	<b>NONCURRENT LIABILITIES :</b>				
Other current assets (Note 6(h))	44,210	1	20,814	1	Long-term loans (Notes 6(n) and 8)	398,246	11	-	-
	<u>2,906,821</u>	<u>82</u>	<u>2,752,789</u>	<u>80</u>	Deferred tax liabilities (Note 6(q))	-	-	2,812	-
<b>NONCURRENT ASSETS:</b>					Net Defined Benefit liabilities-noncurrent	82,998	3	88,505	3
Financial assets carried at cost-noncurrent (Note 6(e))	185,000	6	185,000	6	Guarantee Deposits Received	34	-	160	-
Property, plant and equipment (Notes 6(j) and 8)	391,411	11	459,027	13		<u>481,278</u>	<u>14</u>	<u>91,477</u>	<u>3</u>
Investment Property (Notes 6(k) and 8)	-	-	17,047	-	<b>Total liabilities</b>	<u>1,617,561</u>	<u>46</u>	<u>1,413,179</u>	<u>41</u>
Intangible assets (Note 6(l))	3,540	-	3,868	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note (r)) :</b>				
Deferred tax assets (Note 6(q))	32,691	1	25,898	1	Capital stock	1,834,076	52	1,949,076	56
Prepayments on purchase of equipment	6,368	-	377	-	Capital surplus	23,873	1	33,663	1
Other non-current financial assets (Notes 6(d) and 6(f))	9,292	-	9,842	-	Retained earnings	325,664	9	338,384	10
	<u>628,302</u>	<u>18</u>	<u>701,059</u>	<u>20</u>	Other equity interest	(74,872)	(2)	(87,612)	(3)
					Treasury stock	(273,209)	(8)	(273,209)	(7)
					Total equity attributable to shareholders of the parent	1,835,532	52	1,960,302	57
					<b>Non-controlling interests (Note 6(i))</b>	<u>82,030</u>	<u>2</u>	<u>80,367</u>	<u>2</u>
					<b>Total equity</b>	<u>1,917,562</u>	<u>54</u>	<u>2,040,669</u>	<u>59</u>
<b>TOTAL</b>	<u>\$ 3,535,123</u>	<u>100</u>	<u>3,453,848</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 3,535,123</u>	<u>100</u>	<u>3,453,848</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in thousands of New Taiwan dollars, Except Earning Per Share)**

	2017		2016	
	Amount	%	Amount	%
<b>Operating revenue (Note 6(t))</b>	\$ 3,005,136	100	3,178,919	100
<b>Operating cost (Note 6(g, l, p &amp; u) and 12 )</b>	2,494,474	83	2,551,193	80
<b>Gross profit</b>	<u>510,662</u>	<u>17</u>	<u>627,726</u>	<u>20</u>
<b>Operating expenses (Note 6(l, p &amp; u) and 12):</b>				
Selling expenses	186,388	7	200,572	6
General and administrative expenses	124,587	4	141,306	5
Research and development expenses	96,265	3	102,547	3
	<u>407,240</u>	<u>14</u>	<u>444,425</u>	<u>14</u>
<b>Net other income (Note 6(v))</b>	1,094	-	1,094	-
<b>Operating profit</b>	<u>104,516</u>	<u>3</u>	<u>184,395</u>	<u>6</u>
<b>Non operating income and expenses(Note 6(w)):</b>				
Other income	23,904	1	21,349	-
Other gains and losses	(50,357)	(2)	22,002	1
Finance costs	(10,855)	-	(11,762)	-
	<u>(37,308)</u>	<u>(1)</u>	<u>31,589</u>	<u>1</u>
<b>Profit before tax</b>	67,208	2	215,984	7
<b>Income tax expense (note 6(q))</b>	11,637	-	28,138	1
<b>Net profit</b>	<u>55,571</u>	<u>2</u>	<u>187,846</u>	<u>6</u>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit plans	2,991	-	(6,053)	-
Income tax related to items that will not be reclassified subsequently	-	-	-	-
	<u>2,991</u>	<u>-</u>	<u>(6,053)</u>	<u>-</u>
<b>Items that will be reclassified into profit or loss:</b>				
Foreign currency translation difference (Note 6(r))	(8,484)	-	(10,193)	(1)
Unrealized gain (loss) on available-for-sale financial assets (Note 6(x))	21,900	-	22,719	1
Less: Income tax related to items that will be reclassified subsequently (Note 6(q))	270	-	1,086	-
	<u>13,146</u>	<u>-</u>	<u>11,440</u>	<u>-</u>
<b>Other comprehensive income, net</b>	<u>16,137</u>	<u>-</u>	<u>5,387</u>	<u>-</u>
<b>Comprehensive income</b>	<u>\$ 71,708</u>	<u>2</u>	<u>193,233</u>	<u>6</u>
<b>Profit (loss) attributable to</b>				
Shareholders of the parent	\$ 54,314	2	187,772	6
Non-controlling interests	1,257	-	74	-
<b>Net Profit (loss)</b>	<u>\$ 55,571</u>	<u>2</u>	<u>187,846</u>	<u>6</u>
<b>Comprehensive income attributable to</b>				
Shareholders of the parent	\$ 70,045	2	193,108	6
Non-controlling interests	1,663	-	125	-
<b>Total comprehensive income</b>	<u>\$ 71,708</u>	<u>2</u>	<u>193,233</u>	<u>6</u>
<b>Earnings per share (Note 6(s))(expressed in New Taiwan dollars)</b>				
<b>Basic earnings per share</b>	<u>\$ 0.33</u>		<u>1.03</u>	
<b>Diluted earnings per share</b>	<u>\$ 0.33</u>		<u>1.03</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in thousands of New Taiwan dollars)**

	Equity attributable to shareholders of parent										Non-controlling interests	Total Equity
	Retained earnings					Other equity interest			Total equity attributable to shareholders of parent			
	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Foreign Currency translation difference	Unrealized gain(loss) on available-for-sale financial assets	Treasury stock	Total equity attributable to shareholders of parent	Total equity attributable to shareholders of parent		
<b>Balance as of January 1, 2016</b>	<b>\$ 2,149,076</b>	<b>27,955</b>	<b>-</b>	<b>-</b>	<b>216,937</b>	<b>9,532</b>	<b>(108,533)</b>	<b>(259,140)</b>	<b>2,035,827</b>	<b>80,242</b>	<b>2,116,069</b>	
Net profit in 2016	-	-	-	-	187,772	-	-	-	187,772	74	187,846	
Other comprehensive income in 2016	-	-	-	-	(6,053)	(9,825)	21,214	-	5,336	51	5,387	
Total comprehensive income in 2016	-	-	-	-	181,719	(9,825)	21,214	-	193,108	125	193,233	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	21,614	-	(21,614)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	96,448	(96,448)	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(60,272)	-	-	-	(60,272)	-	(60,272)	
Repurchase of treasury stock	-	-	-	-	-	-	-	(211,167)	(211,167)	-	(211,167)	
Cancellation of treasury stock	(200,000)	2,902	-	-	-	-	-	197,098	-	-	-	
Cash dividends to subsidiaries	-	2,806	-	-	-	-	-	-	2,806	-	2,806	
<b>Balance as of December 31, 2016</b>	<b>1,949,076</b>	<b>33,663</b>	<b>21,614</b>	<b>96,448</b>	<b>220,322</b>	<b>(293)</b>	<b>(87,319)</b>	<b>(273,209)</b>	<b>1,960,302</b>	<b>80,367</b>	<b>2,040,669</b>	
Net profit in 2017	-	-	-	-	54,314	-	-	-	54,314	1,257	55,571	
Other comprehensive income in 2017	-	-	-	-	2,991	(8,416)	21,156	-	15,731	406	16,137	
Total comprehensive income in 2017	-	-	-	-	57,305	(8,416)	21,156	-	70,045	1,663	71,708	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	18,777	-	(18,777)	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	27,262	(27,262)	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(70,025)	-	-	-	(70,025)	-	(70,025)	
Repurchase of treasury stock	-	-	-	-	-	-	-	(128,382)	(128,382)	-	(128,382)	
Cancellation of treasury stock	(115,000)	(13,382)	-	-	-	-	-	128,382	-	-	-	
Cash dividends to subsidiaries	-	3,592	-	-	-	-	-	-	3,592	-	3,592	
<b>Balance as of December 31, 2017</b>	<b>\$ 1,834,076</b>	<b>23,873</b>	<b>40,391</b>	<b>123,710</b>	<b>161,563</b>	<b>(8,709)</b>	<b>(66,163)</b>	<b>(273,209)</b>	<b>1,835,532</b>	<b>82,030</b>	<b>1,917,562</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2017 and 2016**

**(expressed in thousands of New Taiwan dollars)**

	2017	2016
<b>Cash flows from operating activities</b>		
Profit before tax	\$ 67,208	215,984
Adjustments :		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	85,775	110,619
Amortization expense	1,179	1,065
Provision for bad debt expense	14	(144)
Net gain on financial assets or liabilities at fair value through profit or loss	4,655	(2,021)
Interest expense	10,855	11,762
Interest income	(13,217)	(3,856)
Dividend income	(7,726)	(8,647)
Gain on disposal of property, plant, equipment and investment property	(25,124)	(365)
Gain on disposal of investments	(19,173)	(11,632)
Unrealized foreign exchange loss (gain)	30,173	(5,403)
Reversal gain on impairment loss of investment property	(5,664)	-
<b>Total adjustments to reconcile profit (loss)</b>	<b>61,747</b>	<b>91,378</b>
<b>Changes in operating assets and liabilities</b>		
Net changes in operating assets:		
Accounts receivable	(134,319)	77,615
Other receivable	3,952	(1,136)
Inventories	(38,037)	71,224
Other current assets	(25,535)	10,182
<b>Total net changes in operating assets</b>	<b>(193,939)</b>	<b>157,885</b>
Net changes in operating liabilities:		
Notes payable	(1,062)	(990)
Accounts payable	5,273	(22,138)
Other payables	(26,883)	(32,574)
Other current liabilities	(2,129)	(3,655)
Net defined benefit liability	(2,516)	(2,319)
<b>Total net change in operating liabilities</b>	<b>(27,317)</b>	<b>(61,676)</b>
<b>Total net change in operating asset and liabilities</b>	<b>(221,256)</b>	<b>96,209</b>
<b>Total adjustments</b>	<b>(159,509)</b>	<b>187,587</b>
<b>Cash generated from operating activities</b>	<b>(92,301)</b>	<b>403,571</b>
Interest received	12,163	3,468
Dividends received	7,726	8,647
Interest paid	(10,097)	(10,345)
Income taxes paid	(15,645)	(4,170)
<b>Net cash flows from operating activities</b>	<b>(98,154)</b>	<b>401,171</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets designated upon initial recognition as at fair value through profit or loss	-	(16,187)
Proceeds from financial assets designated upon initial recognition as at fair value through profit or loss	-	63,683
Acquisition of available-for-sale financial assets	(206,517)	(32,464)
Proceeds from disposal of available-for-sale financial assets	238,864	272,644
Acquisition of debt instrument without active market	415,973	(417,223)
Acquisition of property, plant and equipment	(27,347)	(31,959)
Proceeds from disposal of property, plant, equipment and investment property	48,132	365
Acquisition of intangible assets	(851)	(1,408)
Increase in other financial assets	476	(492)
Increase in prepayments on purchase of equipment	(5,991)	(377)
<b>Net cash flows used in investing activities</b>	<b>462,739</b>	<b>(163,418)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	(155,000)	112,714
Increase in long-term loans	400,000	(291,200)
Decrease in guarantee deposits received	(126)	-
Cash dividends	(66,435)	(57,457)
Payments to acquire treasury shares	(128,382)	(222,266)
<b>Net cash provided by (used in) financing activities</b>	<b>50,057</b>	<b>(458,209)</b>
<b>Effects of changes in foreign exchange rates</b>	<b>(10,575)</b>	<b>1,852</b>
<b>Net increase in cash and cash equivalents</b>	<b>404,067</b>	<b>(218,604)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>744,653</b>	<b>963,257</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,148,720</b>	<b>744,653</b>

See accompanying notes to consolidated financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
**Notes to consolidated financial statements**  
**For the years ended December 31, 2017 and 2016**  
**(all amounts expressed in thousands of New Taiwan dollars, unless otherwise specified)**

**(1) Organization and Business Scope**

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

**(2) Financial Statements Authorization Date and Authorization Process**

The consolidated financial statements were authorized for issuance by the Board of Directors on March 14, 2018.

**(3) Application of New and Revised International Financial Reporting Standards and Interpretations**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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

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

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

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

(2) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. The related new standards, interpretations and amendments are as follows:

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

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

A. IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

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

(a) Classification and Measurement-Financial assets

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

Base on its assessment, the Group does not believe that the new classification requirements would have a material impact on its accounting for accounts receivables and debt instrument. As of December 31, 2017, the Group had equity investments classified as available-for sale with a fair value of 153,616 and financial assets measured at cost of 185,000. At initial application of IFRS 9, the Group would classify them as FVOCI. Therefore, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. As of December 31, 2017, the Group had open-end fund with a fair value of 264,014 classified as available-for sale financial asset. If continue to hold on the same purpose when adopting IFRS 9, it would be classified to fair value through profit or loss and the profit and loss of fair value afterward is recognized as profit and loss. The Group estimates the application of IFRS 9's classification requirements on January 1, 2018 will result in a decrease of \$13,266 in other equity, a decrease of \$8,314 in retained earnings, and a decrease of \$14,820 in the non-controlling interests, respectively.

(b) Impairment-Financial assets and contract assets

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

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

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

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

## **EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

### **Notes to consolidated financial statements**

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

The Group believes that would not have any material impact on assets in the scope of the IFRS 9 impairment model.

#### (c) Hedging Accounting

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

#### (d) Disclosures

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

#### (e) Transition

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

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

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

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

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

(a) Sales of goods

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

(b) Transition

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

C. Amendments to IAS 7 Disclosure Initiative

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

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

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

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

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

E. IFRIC 22 Foreign Currency Transactions and Advance Consideration

The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of each payment or receipt date. The Group plans to apply IFRIC22 prospectively to all assets, profit and loss are recognized after the date of the initial application (1 January 2018).

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

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

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<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which maybe relevant to The Group are set out below:

<b>Issuance/Release Dates</b>	<b>Standards or interpretation</b>	<b>Content of amendment</b>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease in amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

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

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

**(4) Summary of Significant Accounting Policies**

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

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

**(a) Statement of compliance**

These consolidated annual financial statements have prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter, referred to as the IFRS endorsed by the FSC).

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**(b) Basis of preparation**

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following significant items:

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

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

**(c) Basis of consolidation**

(i) Principle of preparation of the consolidated financial statements

The Group consolidated financial statements include the accounts of the Company and all directly owned subsidiaries of the Company. The investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those return through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group's control commences until the date that control ceases. InterGroup balances and transactions, and any unrealized income and expenses arising from interGroup transactions are eliminated in preparing the consolidated financial statements. Subsidiaries contribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Financial statements of subsidiaries had been adjusted to use uniform accounting policies as the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

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

<b>Name of investor</b>	<b>Name of the subsidiary</b>	<b>Business activity</b>	<b>Percentage ownership</b>		<b>Remarks</b>
			<b>2017.12.31</b>	<b>2016.12.31</b>	
The Company	Emerging Display Technologies Corp., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	
The Company	EDT-Europe ApS	Sale of CTP and LCDs	100.00%	100.00%	
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	
The Company	Emerging Display Technologies Korea	Sale of CTP and LCDs	100.00%	100.00%	
The Company	EDT-Japan Corp.	Sale of CTP and LCDs	100.00%	100.00%	
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	

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

**(d) Foreign currency**

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of available-for-sale equity instrument which are recognized in other comprehensive income.

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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustment arising on acquisition, are translated to New Taiwan dollar at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to New Taiwan dollar at the average rate. Foreign currency differences are recognized in other comprehensive income.

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

**(e) Classification of current and non-current assets and liabilities**

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

1. The asset is expected to be realized or is intended to be sold or consumed in the normal operating cycle;
2. The asset is held primarily for the purpose of trading;
3. The asset is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current:

1. The liability is expected to be settled in the normal operating cycle;
2. The liability is held primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period;
4. The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

**(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and demand deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations rather than for investment or other purposes should be recognized as cash equivalents.

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**(g) Financial instruments**

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

**(i) Financial assets**

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

**1. Financial assets at fair value through profit or loss**

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchase in the short term. A financial asset that meets one of the following conditions will be designated as measured at fair value through profit or loss:

- a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or
- b. The financial asset is managed and its performance is evaluated on a fair value basis, or
- c. A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value subsequently, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are accounted for under other gain and loss. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Financial assets in this category that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less, any impairment losses, and they are classified as financial assets carried at cost.

**2. Available-for sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, these financial assets are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary assets, are recognized in other comprehensive income and presented under fair value reserve in equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Financial assets in this category that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less, any impairment losses, and they are classified as financial assets carried at cost.

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### **Notes to consolidated financial statements**

Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date; such dividend income is recognized in profit or loss, under other income.

Interest income from bond investment is recognized in profit or loss under other income of non-operating income and expenses.

#### **3. Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables and debt investments without an active market; such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Interest income is recognized in profit or loss, under other income of non-operating income and expenses.

#### **4. Impairment of financial assets**

A financial asset which is not measured at fair value is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy; adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. Besides, for available-for-sale financial assets, a significant or prolonged decline in the fair value of the equity investment below its cost is also considered to be objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset carried at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at a similar asset's market rate of return. A subsequent reversal of such impairment loss is not allowed.

The carrying amount of a financial asset is reduced for an impairment loss except for trade receivables, whose impairment loss is reflected through an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amounts of allowance account are recognized in profit or loss.

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An impairment loss in respect of an available-for-sale financial instrument is recognized in profit or loss to the extent of the amount of accumulated gain or loss recognized in equity.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed and recognized in profit or loss to the extent of the amount of impairment loss recognized in prior years.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and is accumulated in equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed to the extent of the amount of the reversal recognized in profit or loss.

Any subsequent recovery of a written-off receivable is charged to the allowance account. Changes in the allowance account are recognized in profit or loss. Impairment losses and recoveries are recognized in profit or loss under administrative expenses for accounts receivable and others are included in non-operating income and expense.

5. Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when all the risks and rewards of ownership of the financial assets are substantially transferred.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity is recognized in profit or loss, and is included in other gains and losses.

On partial derecognition of a financial asset, the difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part derecognized and any cumulative gain or loss that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1. Classification of debt or equity instruments

Debt or equity instruments issued are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments include shares and any other instrument that evidences a residual interest in any entity. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest related to a financial liability is recognized in profit or loss, and is included in finance costs or other gains or losses.

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2. Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or if it is designated as such on initial recognition.

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the short term. A financial liability that meets one of the following conditions will be designated as measured at fair value through profit or loss:

- a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. or
- b. The liability is managed and its performance is evaluated on a fair value basis, or
- c. A hybrid instrument contains one or more embedded derivatives.

Financial liabilities in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value subsequently, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in other gains and losses.

3. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise borrowings, accounts payable and other payables, are measured at fair value plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial, recognition, these financial liabilities are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

4. Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses.

5. Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

Derivative financial instruments are held to hedge foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized as other gains and losses in profit or loss. For hedge derivatives determined to be an effective hedge, the timing of recognition of related gain or loss is determined based on the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

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Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

**(h) Inventories**

Inventories are measured individually at the lower of cost and net realizable value. The cost of inventories includes all necessary costs of purchase, costs of conversion, and other costs in bringing the inventories to a salable and useable location and condition. The production overhead is allocated to the finished goods and work in progress based on the normal capacity of production facilities.

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses at the end of the period.

**(i) Investment Property**

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value.

The depreciable amount of an asset is determined after initial measurement. Depreciation methods, useful lives, and residual values are measured in conformity with the regulation of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

**(j) Property, plant and equipment**

**(i) Recognition and measurement**

Property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

**(ii) Subsequent cost**

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	2~55	years
Machinery and equipment	2~10	years
Furniture and fixtures	3~10	years
Other equipment	1~10	years

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(iv) Reclassification to investment property

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

**(k) Leases**

(i) The Group as Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. The total incentive benefits provided to the lessee in order to fulfill the lease arrangement, are deemed as part of the total lease income, and shall be recognized using the straight-line method, as a reduction in lease income during the lease term.

(ii) The Group as Lessee

Leases in which the Group does not assume substantially all of the risks and rewards of ownership are classified as operating leases. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

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

**(l) Intangible assets**

(i) Recognition and measurement

Intangible assets, other than goodwill, acquired are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

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(iii) Amortization

The amortizable amount is the cost of an asset, less, its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Patents	9~20	years
Computer software cost	1~4	years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at reporting date. Any change shall be accounted for as changes in accounting estimates.

**(m) Impairment of non-derivative financial assets**

The carrying amounts of the Company's non- financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell, and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

**(n) Provision**

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

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**(o) Treasury stock**

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Share Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

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During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

**(p) Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Export sales revenue is recognized at the date of shipment, at which date the related risks and rewards are transferred to the customers. Domestic sales revenue is recognized at the date of deliveries received by the customers.

**(q) Employee benefits**

**(i) Defined contribution plans**

Obligations for contributions made to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

**(ii) Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Group if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

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Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity.

If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group is required to recognize the termination benefits at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Consolidated Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(r) Share-based payment**

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

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

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

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**(s) Income taxes**

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current and deferred tax shall be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Net taxes payable (recoverable) include tax payable, tax refundable, and adjustments of tax payable for prior years.

Deferred tax is the amount of income taxes payable/receivable in future periods in respect of taxable temporary differences.

A deferred tax shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- (a) The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or
- (b) Deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures where there is a high probability that such temporary differences will not reverse in the foreseeable future; or
- (c) The initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if:

- (a) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) The same taxable entity; or
  - (ii) Different taxable entities, but where each such entity intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or to realize the assets and settle the liabilities simultaneously.

A deferred tax asset shall be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. At the end of each reporting period, an entity reassesses unrecognized deferred tax assets.

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**(t) Earnings per share**

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds.

**(u) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant Accounting Judgments, Estimates, and Assumptions, and Sources of Estimation Uncertainty**

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

Management is required to constantly examine the fairness of those estimates and assumptions. The effect of change in accounting estimate shall be recognized prospectively by including it the profit or loss in the current period or future periods.

Information about assumptions and estimation uncertainties have significant risk of resulting in material adjustments within the next year:

**(a) Impairment Assessment of Accounts Receivable**

When there is objective evidence that shows signs of impairment, the Consolidated Group shall consider estimation of future cash flow. The amount of impairment loss shall take into consideration factors such as customers' past arrears records, analysis of their current financial situation, analysis of their accounts receivable aging, etc., and be measured based on the difference between the asset's book value and discounted present value by estimation the future cash flow according to cash flow in the future is less than the expected amount, it may result in significant impairment loss. For provision of impairment, please refer to Note 6(f).

**(b) Inventory Valuation**

As inventory shall be measured based on the lower of cost or realizable value, if on the Consolidated Group's evaluation report date, the inventory has suffered normal wear and tear, is outdated or has no market value, the inventory cost shall be offsetted to net realizable value. The assessment of the inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes. For inventory valuation, please refer to Note 6(g).

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**(6) Explanation of Significant Accounts**

**(a) Cash and cash equivalents**

	<u>2017.12.31</u>	<u>2016.12.31</u>
Cash and cash equivalents	\$ 248	331
Demand deposits	258,634	505,746
Check deposits	2,647	3,552
Time deposits	857,088	235,024
Repurchase agreement	30,103	-
Total	<u>\$ 1,148,720</u>	<u>744,653</u>

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

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Details were as follows:		
Financial asset held for trade:		
Swap contract	<u>\$ -</u>	<u>4,655</u>

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

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

As of December 31, 2016, the Group uses derivative instruments to hedge certain currency the Group is exposed to arising from its operating activities, The Group doesn't apply to hedge accounting and held the following derivative instruments presented as held-for-trading financial assets or liabilities:

	<u>2016.12.31</u>		
	<u>Contract amount</u>	<u>Currency</u>	<u>Maturity period</u>
	<u>(Thousand Dollar)</u>		
Swap contract	USD 6,000	NTD to USD	106.01.06~106.02.24

**(c) Available-for-sale financial assets**

	<u>2017.12.31</u>	<u>2016.12.31</u>
Listed stocks in Taiwan	\$ 153,616	181,953
Foreign listed stocks	-	59,763
Open-end mutual funds	264,014	167,189
Total	<u>\$ 417,630</u>	<u>408,905</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.

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For the purpose of increasing investment benefits, the Group entrusts partial listed companies as the beneficiary. According to the terms of the contract, the Group does not lose control on these financial assets, and they are hence not derecognized. As of December 31, 2017 and 2016, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$31,898 and \$14,050 , respectively.

As of December 31, 2017 and 2016, the available for sale financial assets of the Group were not pledged as collaterals.

**(d) Debt instrument without active market**

	<u>2017.12.31</u>	<u>2016.12.31</u>
Restricted Time Deposit-current	<u>\$ 4,970</u>	<u>421,535</u>
Current	\$ 4,423	420,428
Non-current (recorded in other non-current financial assets)	<u>547</u>	<u>1,107</u>
Total	<u>\$ 4,970</u>	<u>421,535</u>

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

**(e) Financial assets measured at cost**

	<u>2017.12.31</u>	<u>2016.12.31</u>
Unlisted stocks	<u>\$ 185,000</u>	<u>185,000</u>

The aforementioned investments held by the Group are measured at cost less impairment losses on reporting date. It belongs to trade without active market ,therefore, the Group management had determined that the fair value cannot be measured reliably.

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

**(f) Accounts receivable and other receivables**

	<u>2017.12.31</u>	<u>2016.12.31</u>
Account receivable	\$ 513,052	399,069
Other receivables-current	19,530	22,666
Other receivables- deposits paid	8,745	8,735
Less: allowance for doubtful accounts	<u>(25,472)</u>	<u>(25,712)</u>
	<u>\$ 515,855</u>	<u>404,758</u>
Book as:		
Net account receivables	\$ 490,408	376,421
Other receivables	16,702	19,602
Other financial assets-non-current	<u>8,745</u>	<u>8,735</u>
	<u>\$ 515,855</u>	<u>404,758</u>

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
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The aging analysis of unimpaired overdue receivables and other receivables were as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
1~30 days	\$ 77,067	51,215
31~90 days	18,920	4,509
91~270 days	5,335	318
More than 271 days	32	50
	<u>\$ 101,354</u>	<u>56,092</u>

The movement in the provision for impairment with respect to account receivables and other receivables during the year was as follows:

	<b>Individually assessed for impairment</b>	<b>Collectively assessed for impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 25,409	303	25,712
Recognition(reversal) of impairment loss	-	14	14
The Effects of Changes in Foreign Exchange Rates	(237)	(17)	(254)
Balance at December 31, 2017	<u>\$ 25,172</u>	<u>300</u>	<u>25,472</u>
Balance at January 1, 2016	\$ 41,940	487	42,427
Recognition(reversal) of impairment loss	31	(175)	(144)
Offset uncollected amount	(16,226)	-	(16,226)
The effects of Changes in Foreign Exchange Rates	(336)	(9)	(345)
Balance at December 31, 2016	<u>\$ 25,409</u>	<u>303</u>	<u>25,712</u>

The Group considers any change in credit quality of accounts receivable and other receivables from the date credit was initially granted to the end of the reporting period when recognizing the collectability of accounts receivable and other receivables. The Group evaluates the customers' credit and collectible amounts to estimate the uncollectable amounts, 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 December 31, 2017 and 2016, accounts receivable and other receivables were not pledged as collateral.

**(g) Inventories**

	<u>2017.12.31</u>	<u>2016.12.31</u>
Raw materials	\$ 216,886	188,683
Work in process	301,857	310,053
Finished goods	257,127	250,990
Inventories in transit	7,439	4,803
Total	<u>\$ 783,309</u>	<u>754,529</u>

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For the years ended December 31, 2017 and 2016, the cost of inventories recognized as operating costs and expense were \$2,478,314 and \$2,514,344, respectively. In 2017, the previous write-down inventories was sold, therefore, the net realizable value of inventories lowered than cost was no longer existed. The reversal of write-downs amounted to \$10,319 was recorded as a reduction of operating costs. In 2016, the write-down amounted to \$4,037, and the reversal was recorded as operating costs.

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

**(h) Other current assets:**

The details of other current assets are as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Income tax refund receivable	\$ 1,655	2,526
Prepayment for purchases	5,274	4,094
Prepaid expense	8,221	9,096
Prepaid sales tax	29,060	5,098
	<u>\$ 44,210</u>	<u>20,814</u>

**(i) 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>2017.12.31</u>	<u>2016.12.31</u>
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%
Emerging Display International(Samoa) Corp.	Samoa	4.2%	4.2%

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

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Current Asset	\$ 12,762	9,171
Non-Current Asset	150,000	150,000
Current Liability	(180)	(60)
Non-Current liability	-	-
Net Asset	<u>\$ 162,582</u>	<u>159,111</u>
Non-Controlling equity closing book amount	<u>\$ 77,227</u>	<u>75,578</u>

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
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	<u>2017 Year</u>	<u>2016 Year</u>
Operating revenue	<u>\$ 2,720</u>	<u>62</u>
Net profit(Net Loss)	\$ 2,476	(63)
Other comprehensive income	995	881
Comprehensive income	<u>\$ 3,471</u>	<u>818</u>
Profit attributable to non-controlling interes	<u>\$ 1,176</u>	<u>(30)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 1,649</u>	<u>389</u>

	<u>2017 Year</u>	<u>2016 Year</u>
Cash flow from operating activities	\$ 140	(47)
Cash flow from investing activities	7,518	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	<u>\$ 7,658</u>	<u>(47)</u>

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Current Asset	\$ 135,885	127,372
Non-Current Asset	10,666	14,176
Current Liability	(32,179)	(27,511)
Non-Current liability	-	-
Net Asset	<u>\$ 114,372</u>	<u>114,037</u>
Non-Controlling equity closing book amount	<u>\$ 4,803</u>	<u>4,789</u>

	<u>2017 Year</u>	<u>2016 Year</u>
Operating revenue	<u>\$ 342,550</u>	<u>352,333</u>
Net profit(Net Loss)	\$ 1,944	2,459
Other comprehensive income	(1,608)	(8,740)
Comprehensive income	<u>\$ 336</u>	<u>(6,281)</u>
Profit attributable to non-controlling interest	<u>\$ 81</u>	<u>104</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 14</u>	<u>(264)</u>

	<u>2017 Year</u>	<u>2016 Year</u>
Cash flow from operating activities	\$ (15,348)	7,334
Cash flow from investing activities	(1,092)	(2,787)
Cash flow from financing activities	-	-
Effects of changes in foreign exchange rates	(239)	(1,338)
Increase in cash and cash equivalents	<u>\$ (16,679)</u>	<u>3,209</u>

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**(j) Property, plant and equipment**

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

	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
<b>Cost or deemed cost:</b>						
Balance at January 1, 2017	\$ 51,334	994,153	2,580,349	31,970	160,152	3,817,958
Additions	-	1,796	3,153	18	18,642	23,609
Reclassification	-	-	14,250	-	(14,250)	-
Disposals	-	-	(24,784)	(88)	(66,222)	(91,094)
Effect of movements in exchange rates	(3,964)	(2,027)	(2,582)	(609)	(26)	(9,208)
Balance at December 31, 2017	<u>\$ 47,370</u>	<u>993,922</u>	<u>2,570,386</u>	<u>31,291</u>	<u>98,296</u>	<u>3,741,265</u>
Balance at January 1, 2016	\$ 52,249	995,983	2,705,564	32,418	151,520	3,937,734
Additions	-	2,365	8,232	424	22,560	33,581
Reclassification	-	-	11,373	-	(11,373)	-
Disposals	-	-	(126,049)	(340)	(2,046)	(128,435)
Effect of movements in exchange rates	(915)	(4,195)	(18,771)	(532)	(509)	(24,922)
Balance at December 31, 2016	<u>\$ 51,334</u>	<u>994,153</u>	<u>2,580,349</u>	<u>31,970</u>	<u>160,152</u>	<u>3,817,958</u>
<b>Depreciation:</b>						
Balance at January 1, 2017	\$ -	752,899	2,460,290	28,948	116,794	3,358,931
Depreciation for the year	-	15,090	53,859	1,050	15,415	85,414
Disposals loss	-	-	(24,784)	(88)	(65,564)	(90,436)
Effect of movements in exchange rates	-	(1,042)	(2,465)	(564)	16	(4,055)
Balance at December 31, 2017	<u>\$ -</u>	<u>766,947</u>	<u>2,486,900</u>	<u>29,346</u>	<u>66,661</u>	<u>3,349,854</u>
Balance at January 1, 2016	\$ -	737,759	2,529,764	28,524	103,877	3,399,924
Depreciation for the year	-	18,928	74,614	1,282	15,435	110,259
Disposals loss	-	-	(126,049)	(340)	(2,046)	(128,435)
Effect of movements in exchange rates	-	(3,788)	(18,039)	(518)	(472)	(22,817)
Balance at December 31, 2016	<u>\$ -</u>	<u>752,899</u>	<u>2,460,290</u>	<u>28,948</u>	<u>116,794</u>	<u>3,358,931</u>
<b>Carrying amounts:</b>						
Balance at December 31, 2017	<u>\$ 47,370</u>	<u>226,975</u>	<u>83,486</u>	<u>1,945</u>	<u>31,635</u>	<u>391,411</u>
Balance at January 1, 2016	<u>\$ 52,249</u>	<u>258,224</u>	<u>175,800</u>	<u>3,894</u>	<u>47,643</u>	<u>537,810</u>
Balance at December 31, 2016	<u>\$ 51,334</u>	<u>241,254</u>	<u>120,059</u>	<u>3,022</u>	<u>43,358</u>	<u>459,027</u>

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

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

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**(k) Investment property**

The details of investment property were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance at January 1, 2017	\$ 10,079	21,670	31,749
Disposals	<u>(10,079)</u>	<u>(21,670)</u>	<u>(31,749)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2016	<u>\$ 10,079</u>	<u>21,670</u>	<u>31,749</u>
Balance at December 31, 2016	<u>\$ 10,079</u>	<u>21,670</u>	<u>31,749</u>
<b>Depreciation and impairment loss:</b>			
Balance at January 1, 2017	\$ -	14,702	14,702
Depreciation for the year	-	361	361
Reversal of impairment loss	-	(5,664)	(5,664)
Disposals	<u>-</u>	<u>(9,399)</u>	<u>(9,399)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2016	<u>\$ -</u>	<u>14,342</u>	<u>14,342</u>
Depreciation for the year	<u>-</u>	<u>360</u>	<u>360</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>14,702</u>	<u>14,702</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2016	<u>\$ 10,079</u>	<u>7,328</u>	<u>17,407</u>
Balance at December 31, 2016	<u>\$ 10,079</u>	<u>6,968</u>	<u>17,047</u>
<b>Fair value :</b>			
Balance at December 31, 2016			<u>\$ 20,475</u>

In June, 2017, the Group re-tested the impairment of the cash generating unit, estimated its recoverable amount was higher than book amount which was previous recognized impairment loss amount deducted depreciation, therefore, the reversal of recoverable amount was \$5,664. Reversal of impairment loss was recognized in the consolidated statements of comprehensive Income. The Group conducted investment property assessment based on value in use as recoverable amount. The calculation of value in use is according to the expected cash flow generating form the future rental and is discounted by the rete of return that reflects the inherent risk of the net cash flow. The discount rate was 1.845%.

In November, 2017, the company sold aforementioned investment property for \$46,906, with gain on disposal in the amount of \$24,556, which was recognized in other gains and losses in the consolidated statements of comprehensive income. Before selling the investment property, it was leased to third parties for factory. Each of the leases contains an initial non-cancellable period of 5 year. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See note 6(o) for further information (including rental income and other direct operating cost).

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

When measuring the fair value of investment property, the Group considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. In 2016, the yields applied to the net annual rentals to determine the fair value of investment property were 2.826%.

As of December 31, 2016, the investment property had been pledged as collateral for finance are disclosed in note 8.

**(I) Intangible assets**

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

	Patent and other	Computer software cost	Total amount
<b>Initial cost :</b>			
Balance as of January 1, 2017	\$ 6,725	55,021	61,746
Individual acquisition	550	301	851
Disposals	(3,376)	(50,926)	(54,302)
Effects of changes in foreign exchange rates	-	(81)	(81)
Balance as of December 31, 2017	<u>\$ 3,899</u>	<u>4,315</u>	<u>8,214</u>
Balance as of January 1, 2016	\$ 6,454	54,162	60,616
Individual acquisition	271	1,137	1,408
Effects of changes in foreign exchange rates	-	(278)	(278)
Balance as of December 31, 2016	<u>\$ 6,725</u>	<u>55,021</u>	<u>61,746</u>
<b>Amortization:</b>			
Accumulated balance as of January 1, 2017	\$ 4,882	52,996	57,878
Amortization	391	788	1,179
Disposals	(3,376)	(50,926)	(54,302)
Effects of changes in foreign exchange rates	-	(81)	(81)
Accumulated balance as of December 31, 2017	<u>\$ 1,897</u>	<u>2,777</u>	<u>4,674</u>
Accumulated balance as of January 1, 2016	\$ 4,516	52,575	57,091
Amortization	366	699	1,065
Effects of changes in foreign exchange rates	-	(278)	(278)
Accumulated balance as of December 31, 2016	<u>\$ 4,882</u>	<u>52,996</u>	<u>57,878</u>
<b>Book value :</b>			
Balance as of December 31, 2017	<u>\$ 2,002</u>	<u>1,538</u>	<u>3,540</u>
Balance as of January 1, 2016	<u>\$ 1,938</u>	<u>1,587</u>	<u>3,525</u>
Balance as of December 31, 2016	<u>\$ 1,843</u>	<u>2,025</u>	<u>3,868</u>

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The amortization expenses of intangible assets included in statement of comprehensive income were as follows:

	<u>2017</u>	<u>2016</u>
Operating cost	\$ 639	667
Operating expense	540	398
	<u>\$ 1,179</u>	<u>1,065</u>

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

**(m) Short-term loans**

The details of short-term loans were as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Unsecured bank loans	\$ 557,000	330,000
Secured bank loans	-	382,000
Total	<u>\$ 557,000</u>	<u>712,000</u>
Unused lines of credit	<u>\$ 1,130,126</u>	<u>1,236,686</u>
Range of interest rates	<u>0.88%~1.05%</u>	<u>0.88%~1.10%</u>

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

As of December 31, 2017 and 2016, The Group's acceptance credit for purchases of raw materials amounted to \$8,917 and \$11,017, respectively.

**(n) Long-term loans**

The details of long-term loans were as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Secured bank loans	\$ 400,000	-
Less: discount on long-term loan	(1,754)	-
Total	<u>\$ 398,246</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 400,000</u>	<u>800,000</u>
Range of interest rates	<u>1.7895%</u>	<u>-</u>

On November 17, 2016, The Group entered into a syndicated loan agreement with eight banks led by Tai Shin Bank for the period from the date of first borrowing to the end of the three-year term. The financial facility amounted to \$800,000. As of December 31, 2016, the Group has not utilized this loan amount. On August 15, 2017, an amount of \$400,000 was borrowed. Repayment will be made in three installments, every six months after the expiration of two years from the borrowing date. The first and second repayments will be \$80,000 respectively. The third repayment will be \$240,000.

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The concerned restricted terms are as follows:

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

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

For the year 2016, the repayments amounted to \$291,200, of which \$254,800 was repaid in advance because of financing strategies.

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

**(o) Operating lease**

(i) The Group as lessee

Based on current lease terms, future rental commitments of non-cancellable lease are as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Less than one year	\$ 7,748	14,072
Between one and five years	8,845	11,547
Over five years	2,434	-
	<u>\$ 19,027</u>	<u>25,619</u>

The Group leases land, several offices, warehouses and factory facilities under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date. Lease payments are adjusted periodically to reflect market rentals.

The rental expenses of operating lease recognized in profit or loss were \$15,598 and \$15,928 for the years ended December 31, 2017 and 2016, respectively.

(ii) The Group as lesser

AS of November, 2017, the Group leased out its investment properties to third parties under operating lease please refer to note6(k). On December 31, 2016, the future minimum lease receivable under non-cancellable leases is as follows:

Less than one year	\$ 945
Between one and five years	1,890
	<u>\$ 2,835</u>

The rental income from investment properties were both \$900 in 2017 and 2016. The investment properties did not have any significant maintenance expense.

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**(p) Employee benefits**

(i) Defined benefit plan

The defined benefit obligation was as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Present value of defined benefit obligations	\$ 182,028	186,226
Fair value of plan assets	<u>(99,030)</u>	<u>(97,721)</u>
Net liabilities of defined benefit obligations	<u><b>\$ 82,998</b></u>	<u><b>88,505</b></u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plan (covered by the Labor Standards Law) entitles a retired employee to receive a lump-sum payment based on years of service and average salary for the six months prior to retirement.

1. Composition of plan assets

The Group set aside pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Group's labor pension reserve account balance in Bank of Taiwan amounted to \$99,030 as of December 31, 2017. The utilization of the labor pension fund assets includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2. Changes in present value of the defined benefit obligation were as follows:

	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 186,226	180,918
Current service and interest cost	3,390	4,056
Remeasurement of the net defined benefit liability		
– Actuarial loss (gain) on financial assumptions change	(3,910)	4,201
– Experience	372	701
Employee benefits paid	<u>(4,050)</u>	<u>(3,650)</u>
Balance at December 31	<u><b>\$ 182,028</b></u>	<u><b>186,226</b></u>

3. Changes in present value of plan assets were as follows:

	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 97,721	96,147
Plan expected return	1,497	1,839
Remeasurement of net defined benefit liability (assets)		
– Return on plan assets (excluding current interest cost)	(548)	(1,151)
Contributions made by employer	4,410	4,536
Employee benefit paid	<u>(4,050)</u>	<u>(3,650)</u>
Balance at December 31	<u><b>\$ 99,030</b></u>	<u><b>97,721</b></u>

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4. Cost recognized in profit or loss

	<u>2017</u>	<u>2016</u>
Current service cost	\$ 599	670
Interest cost on net defined benefit liability (asset)	1,294	1,547
	<u>\$ 1,893</u>	<u>2,217</u>
Operating cost	\$ 1,484	1,760
Selling expenses	62	71
General and administrative expenses	194	218
Research and development expenses	153	168
	<u>\$ 1,893</u>	<u>2,217</u>
Actual return on assets	<u>\$ 949</u>	<u>668</u>

5. Remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income

The remeasurement of the net defined benefit liability (assets) recognized in other comprehensive income was as follows:

	<u>2017</u>	<u>2016</u>
Cumulative amount at January 1	\$ (35,043)	(28,990)
Recognized during the period	2,991	(6,053)
Cumulative amount at December 31	<u>\$ (32,052)</u>	<u>(35,043)</u>

6. Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Discount rate at December 31	1.625%	1.500%
Future salary increases	2.750%	2.750%

The expected amount of contributions for the following year after the reporting date is \$4,270. The weighted-average duration of the defined benefit obligation is 19.78 years.

7. Sensitivity analysis

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

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	Present value of defined benefit obligation	
	Increase	Decrease
December 31, 2017		
Discount rate (change of 0.25%)	(7,500)	7,896
Change in future salary (change of 0.25%)	7,701	(7,344)
December 31, 2016		
Discount rate (change of 0.25%)	(7,971)	8,386
Change in future salary (change of 0.25%)	8,175	(7,786)

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remaining unchanged. In actuality, changes in some assumptions may be linked together. The sensitivity analysis and calculation of the net pension liability on the balance sheet were performed using the same approach.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plan

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

The pension benefit of Dong Guan Emerging Display Limited, Emerging Display Technologies Co., USA, EDT-Europe ApS, Emerging Display Korea and EDT-Japan Corp. are based on their respective local regulation of defined contribution plan. The accrued expenses should be recognized as current expenses. Besides, Ying Dar Investment Development Corp., Bae Haw Investment Development Corp., Ying Cheng Investment Corp., Emerging Display International (Samoa) Corp. and Tremendous Explore Corp do not have any employee and pension plan. Therefore, there is no pension benefit obligation required.

Details of the Group's pension costs under the defined contribution method were as follows:

	2017	2016
Operating Cost	\$ 22,814	22,528
Selling expenses	4,989	5,356
General and administrative expenses	1,999	1,883
Research and development expenses	2,276	2,137
	<b>\$ 32,078</b>	<b>31,904</b>

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**(q) Income tax**

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

	<u>2017</u>	<u>2016</u>
Current tax expense(loss)		
Current	\$ 21,328	13,990
Adjust previous current tax	<u>184</u>	<u>2,108</u>
	<u>21,512</u>	<u>16,098</u>
Deferred tax expense		
Origination and reversal of temporary differences	(3,605)	20,337
Change in unrecognized deductible temporary differences	<u>(6,270)</u>	<u>(8,297)</u>
	<u>(9,875)</u>	<u>12,040</u>
Income tax expense	<u><b>\$ 11,637</b></u>	<u><b>28,138</b></u>

No income tax was recognized directly in equity in 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>
Unrealized gain (loss) on available-for-sale financial assets	<u><b>\$ (270)</b></u>	<u><b>(1,086)</b></u>

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

	<u>2017</u>	<u>2016</u>
Income before income tax	<u><b>\$ 67,208</b></u>	<u><b>215,984</b></u>
Income tax calculated based on the Group's tax rate \$	11,425	36,717
Effect of overseas income tax differences	841	457
Income tax already paid abroad	76	150
Tax-exempt income	(3,154)	(3,531)
Adjustment for prior year	184	2,108
Change in unrecognized temporary differences	(6,270)	(8,297)
10% income tax imposed on retained earnings	9,116	3,870
Investment tax credits	(3,900)	-
Others	<u>3,319</u>	<u>(3,336)</u>
Total	<u><b>\$ 11,637</b></u>	<u><b>28,138</b></u>

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(ii) Deferred tax assets and liabilities

1. Unrecognized deferred tax assets

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Unrealized inventory valuation and obsolescence loss \$	-	4,711
Pension cost	12,479	13,075
Temporary variances related to invest subsidiaries	48,828	49,213
Others	-	963
	<u>\$ 61,307</u>	<u>67,962</u>

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

2. Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

**Deferred tax liabilities:**

	<u>Unrealized exchange gain</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2017	\$ 1,748	1,064	2,812
Recognized in profit or loss	(1,748)	(1,064)	(2,812)
Balance at December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2016	\$ 2,264	275	2,539
Recognized in profit or loss	(516)	789	273
Balance at December 31, 2016	<u>\$ 1,748</u>	<u>1,064</u>	<u>2,812</u>

**Deferred tax assets:**

	<u>Tax loss carry-forward</u>	<u>Inventory valuation loss</u>	<u>Unrealized sales profit</u>	<u>Unrealized foreign exchange loss</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2017	\$ -	9,755	3,433	-	12,710	25,898
Recognized in profit or loss	-	3,090	(1,334)	5,270	37	7,063
Recognized in other comprehensive income	-	-	-	-	(270)	(270)
Balance at December 31, 2017	<u>\$ -</u>	<u>12,845</u>	<u>2,099</u>	<u>5,270</u>	<u>12,477</u>	<u>32,691</u>
Balance at January 1, 2016	\$ 19,794	881	4,171	-	13,905	38,751
Recognized in profit or loss	(19,794)	8,874	(738)	-	(109)	(11,767)
Recognized in other comprehensive income	-	-	-	-	(1,086)	(1,086)
Balance at December 31, 2016	<u>\$ -</u>	<u>9,755</u>	<u>3,433</u>	<u>-</u>	<u>12,710</u>	<u>25,898</u>

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(iii) Approval of income tax

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

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

	<b>2017.12.31</b>	<b>2016.12.31</b>
1997 and prior years	\$ -	-
1998 and thereafter	-	220,322
	<b>\$ - (Note)</b>	<b>220,322</b>
Balance of imputation credit	\$ - (Note)	2,376
	<b>2017(Expected)</b>	<b>2016(Actual)</b>
Tax creditable ratio for earnings distributed to residents in R.O.C.	<b>(Note)</b>	<b>5.78%</b>

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

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

**(r) Share capital and other equities**

(i) Common stock

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

Issued shares are as follows:

	<b>Common Stock</b>	
(Expressed in thousand of shares)	<b>2017</b>	<b>2016</b>
Balance at January 1, 2017	194,908	214,908
Cancellation of treasury shares	(11,500)	(20,000)
Balance at December 31, 2017	<b>183,408</b>	<b>194,908</b>

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

(ii) Capital surplus

Capital surplus was as follows:

	<b>2017.12.31</b>	<b>2016.12.31</b>
Treasury stock	<b>\$ 23,873</b>	<b>33,663</b>

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

(iii) Retained earnings

Base on the regulations of our Company, if the Company’s annual final accounts show surplus, it shall first pay the taxes, offset past annual loss, and then set 10% as regulatory surplus reserve. However, it is not applicable if the statutory surplus reserve has reached our Company’s paid-up capital. Also based on the Company’s operational needs and regulatory requirements, provisions shall be make for special reserve. If there are still surplus, the board of directors shall draft a surplus distribution proposal by combining it with the undistributed surplus at the beginning of period., on not more than 80% of the year’s distributable surplus, and submit to the shareholders meeting for approval.

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 the Ruling NO.1010012865 issued by the Financial Supervisory Commission on April 6, 2012, 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 shareholder’s equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder’s equity for additional distributions. As of December 31, 2017, and 2016, the special reserve \$87,612 and \$62,110 have been approved by the annual shareholders’ meeting, respectively.

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. As of December 31, 2017, and 2016, the special reserve \$36,098 and \$34,338 have been approved by the annual shareholders’ meeting, respectively.

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c. Earnings distribution

The appropriation from the retained earnings of 2016 and 2015 have been approved by the annual shareholders meeting on June 8, 2017 and June 7, 2016. The appropriation and dividend per share were as follows:

	<b>2016</b>	<b>2015</b>
Dividends distributed to ordinary shareholders		
Cash dividend to shareholders (TWD)	<b><u>\$0.40852705</u></b> (Note1)	<b><u>0.31905693</u></b> (Note2)

Note1: The Company's shareholders meeting resolved to pay dividends \$0.4 per share but adjusted to TWD0.40852705 per share due to treasury stock affected outstanding shares

Note2: The Company's shareholders meeting resolved to pay dividends \$0.3036 per share but adjusted to TWD0.31905693 per share due to treasury stock affected outstanding shares

(iv) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains and losses from available-for-sale investment	Total
January 1, 2017	\$ (293)	(87,319)	(87,612)
Changes of the Group	(8,416)	21,156	12,740
Balance as of December 31,2017	<b><u>\$ (8,709)</u></b>	<b><u>(66,163)</u></b>	<b><u>(74,872)</u></b>
January 1, 2016	\$ 9,532	(108,533)	(99,001)
Changes of the Group	(9,825)	21,214	11,389
Balance as of December 31,2016	<b><u>\$ (293)</u></b>	<b><u>(87,319)</u></b>	<b><u>(87,612)</u></b>

(v) Treasury stock

The changes of treasury stocks were as follows:

<b>Reason to buy back</b>	<b>Beginning shares</b>	<b>Increase shares</b>	<b>Decrease shares</b>	<b>Ending shares</b>
<b>2017</b>				
Maintain the Company's credit and stockholders' equity	-	11,500	(11,500)	-
Transfer to employees	12,000	-	-	12,000
	<b><u>12,000</u></b>	<b><u>11,500</u></b>	<b><u>(11,500)</u></b>	<b><u>12,000</u></b>
<b>2016</b>				
Maintain the Company's credit and stockholders' equity	14,000	6,000	(20,000)	-
Transfer to employees	-	12,000	-	12,000
	<b><u>14,000</u></b>	<b><u>18,000</u></b>	<b><u>(20,000)</u></b>	<b><u>12,000</u></b>

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Resolutions were passed during the board meetings held on January 5, February 20, 2017, respectively for the Company to repurchase 11,500 shares of its stock with face value \$115,000, which were completed. The Company's Board of Directors approved to retire 11,500 thousand shares of treasury stock on February 9 and May 9, 2017 and repurchase 18,000 thousand shares of its stock on February 15, October 19, November 9, 2016, which were completed. Resolution passed during the board meeting held on January 14, December 5, 2016, to retire 20,000 thousand shares of its treasury stock with a face value \$200,000. The related registration procedures had been finished.

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

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

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. In 2017 and 2016, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of December 31, 2017, and 2016, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of December 31, 2017 and 2016, their market values amounted to \$87,944 and \$86,185, respectively.

**(s) Earnings per share**

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

	<b>2017</b>	<b>2016</b>
<b>Basic earnings per share</b>		
Profit (loss) attributable to owners of parent	<u>\$ 54,314</u>	<u>187,772</u>
Weighted-average number of common shares at end of year (expressed in thousands of shares)	<u>163,779</u>	<u>181,702</u>
Expressed in New Taiwan dollars	<u>\$ 0.33</u>	<u>1.03</u>
<b>Diluted earnings per share</b>		
Profit (loss) attributable to owners of parent	<u>\$ 54,314</u>	<u>187,772</u>
Weighted-average number of common shares (expressed in thousands of shares)	163,779	181,702
Effect of potentially dilutive common stock:		
– Employee bonus (expressed in thousands of shares)	<u>533</u>	<u>1,399</u>
Weighted-average number of common shares - diluted (expressed in thousands of shares)	<u>164,312</u>	<u>183,101</u>
Expressed in New Taiwan dollars	<u>\$ 0.33</u>	<u>1.03</u>

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In computing basic earnings (loss) per share of common stock for the years ended December 31, 2017 and 2016, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Group's subsidiaries as treasury stock.

**(t) Revenue**

Details of revenue for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Sales of goods	\$ 3,005,136	3,178,919

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

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

For the year ended December 31, 2017 and 2016, the Company accrued the compensation of employees amounted to \$3,476 and \$11,500, respectively and the remuneration of directors' and supervisors' amounted to \$2,086 and \$6,900, 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 for the respective period. The previous distribution of compensation to employees, remuneration of directors and supervisors approved by Board of Directors had no difference with the accrued amount for year 2017 and 2016 consolidated financial reports. 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.

**(w) Non-operating income and expenses**

(i) Other income

Details of other income were as follows:

	2017	2016
Interest income		
Bank deposits	\$ 13,217	3,615
Other loans and receivables	157	241
Dividend Income	7,726	8,647
Others	2,804	8,846
	\$ 23,904	21,349

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
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(ii) Other gains and losses

Details of other gains and losses were as follows:

	<u>2017</u>	<u>2016</u>
Foreign exchange gains (losses), net	\$ (82,968)	828
Net gains on disposal of investments and financial liability		
Net gains on disposal of available-for-sale financial assets	19,173	11,632
Others	-	(158)
Net gains on disposal of financial assets at fair value through profit or loss	(14,206)	10,954
Net gains on disposal of investment property	24,556	-
Net gains on disposal of fixed asset	568	365
Gain on reversal of impairment loss on investment property	5,664	-
Others	(3,144)	(1,619)
	<u>\$ (50,357)</u>	<u>22,002</u>

(iii) Finance costs

Details of finance costs were as follows:

	<u>2017</u>	<u>2016</u>
Interest expenses		
Bank loans	\$ 10,338	11,762
Management fee of syndicated loan	517	-
	<u>\$ 10,855</u>	<u>11,762</u>

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

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

	<u>2017</u>	<u>2016</u>
Available-for-sale financial assets		
Net change in fair value occurred in current year	\$ 39,091	34,551
Net change in fair value reclassified to income	(17,191)	(11,832)
Net change in fair value recognized in other comprehensive income	<u>\$ 21,900</u>	<u>22,719</u>

**(y) Financial instruments**

(i) Credit risk

1. Exposure to credit risk

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

2. Concentration of credit risk

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 December 31, 2017 and 2016.

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(ii) Liquidity risk

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

	Carry amount	Contracted cash flows	Due within 6 months	Due in 6-12months	Due in 1-2 years	Due in 2-5 year	Due in over 5 years
<b>December 31, 2017</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,246	(418,411)	(3,550)	(5,393)	(86,617)	(322,851)	-
Unsecured loans (floating rate)	557,000	(557,461)	(557,461)	-	-	-	-
Accounts payable(non-interest bearing)	343,654	(343,654)	(343,654)	-	-	-	-
Notes payable (non-interest bearing)	1,141	(1,141)	(1,141)	-	-	-	-
Other payable (non-interest bearing)	81,396	(81,396)	(81,396)	-	-	-	-
Guarantee deposits received (non-interest bearing )	34	(34)	-	-	(34)	-	-
	<u>\$ 1,381,471</u>	<u>(1,402,097)</u>	<u>(987,202)</u>	<u>(5,393)</u>	<u>(86,651)</u>	<u>(322,851)</u>	<u>-</u>
<b>December 31, 2016</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 382,000	(382,144)	(382,144)	-	-	-	-
Unsecured loans (floating rate)	330,000	(330,148)	(330,148)	-	-	-	-
Accounts payable(non-interest bearing)	344,224	(344,224)	(344,224)	-	-	-	-
Notes payable (non-interest bearing)	2,203	(2,203)	(2,203)	-	-	-	-
Other payable (non-interest bearing)	87,760	(87,760)	(87,760)	-	-	-	-
Guarantee deposits received (non-interest bearing )	160	(160)	-	-	-	(160)	-
	<u>\$ 1,146,347</u>	<u>(1,146,639)</u>	<u>(1,146,479)</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>

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

(iii) Foreign currency risk

1. Exposure to foreign currency risk

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

	2017.12.31			2016.12.31		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 59,972	29.76	1,725,249	46,679	32.25	1,505,389
JPY	7,511	0.2642	1,984	47,505	0.2756	13,092
CNY	47	4.565	214	4,165	4.617	19,231
<u>Non-monetary items</u>						
USD	8,280	29.76	246,400	6,635	32.25	213,985
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	8,852	29.76	263,445	8,961	32.25	288,996
JPY	28,159	0.2642	7,440	22,992	0.2756	6,337
TWD	4,752	1	4,752	-	-	-

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2. Sensitivity analysis

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 December 31, 2017 and 2016, the exchange rate of the TWD versus the USD, CNY, and JPY increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$12,038 and \$10,234, respectively.

3. Exchange gain or loss

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain(loss) of monetary items. For year 2017 and 2016, foreign exchange loss (including realized and unrealized) amount to \$82,968 and gain \$828, respectively.

(iv) Interest rate analysis

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.

The rate of change used by the Consolidated Group as interest to report to the management lever is  $\pm 1\%$  of the interest rate. This also represents the management's assessment of the reasonable scope of change.

If interest rates on loans had increased or decreased by 1% with all other variables held constant. Profit after tax for the years 2017 and 2016 would have been decreased or increased by \$105 and \$58, respectively, mainly as a result of liabilities bearing floating interest rates.

(v) Other price risk

If the equity securities price changes on the reporting date (adopt the same basis of analysis for both period, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

Equity price at reporting date	2017		2016	
	After tax amount of other comprehensive income	After tax profit/loss	After tax amount of other comprehensive income	After tax profit/loss
Increase 3%	\$ 11,271	-	11,199	-
Decrease 3%	\$ (11,271)	-	(11,199)	-

(vi) Fair value

1. 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.



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

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

3. Valuation techniques and assumptions unused in fair value determination

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

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

4. Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

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

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

Derivative instruments

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

5. Transfer between level 1 and level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2017 and 2016.

**(z) Financial risk management**

(i) Overview

The extent of risk exposure arising from the use of financial instruments was as follows:

1. Credit risk
2. Liquidity risk
3. Market risk

The Group's risk management objective, policies and procedures and the exposure risk arising from the aforementioned risks are disclosed below. For more quantitative information, please refer to other notes to the consolidated financial statements.

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(ii) Risk management framework

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

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

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

(iii) Credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's accounts receivable, bank deposits and foreign exchange derivative instruments.

1. Accounts receivable and other receivables

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

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

The Group established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and other receivables. Major components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component, wherein, the loss is incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

2. Investments

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

(iv) Liquidity risk

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

## **EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**

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As of December 31, 2017 and 2016, the Group has unused credit facilities for short-term amounting to \$1,530,126 and \$2,036,685, respectively.

#### **(v) Market risk**

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

The Group engages in derivative financial instruments trading in order to manage the market risk, thus, generating financial liabilities or financial assets, all the execution of those transactions were under the Board's instruction.

##### **1. Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan dollar (TWD), US dollar (USD), Japan Yen (JPY), Danish Krone (DKK), China Yuan (CNY) and Korean Won (KRW). The currencies used in these transactions are the TWD, USD, JPY and CNY.

At any point of time, the Group's principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operation. The Group mainly hedges its currency risk using the foreign exchange agreements wherein the maturity date is less than 6 months.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the New Taiwan Dollars (TWD) and US Dollars (USD).

When the assets and liabilities denominated in a currency other than a functional currency had a short-term imbalance, the Group should purchase or sell foreign currencies at the spot rate on the transaction date in order to maintain an acceptable exposure to currency risk.

##### **2. Interest risk**

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

##### **3. Other market price risk**

The Group is exposed to equity price risk due to the investments in equity instruments that contain unsure future prices. Therefore, the Group monitors and manages the equity investments by holding different investment portfolio and regularly updating the information of equity instruments.

#### **(aa) Capital management**

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

The Group meets its objectives in managing its capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders and interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents, available-for-sale financial assets—current, and financial assets at fair value through profit or loss—current. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest. In 2017, the Company's capital management strategy is consistent with the prior year. The Group's debt-to-equity ratio at the end of the reporting period as at December 31, 2017 and 2016, is as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Net debt	<u>\$ 51,211</u>	<u>254,966</u>
Total equity	<u>\$ 1,917,562</u>	<u>2,040,669</u>
Debt-to-equity ratio	2.67%	12.49%

In 2017, cash and cash equivalent increased since restricted deposits decreased for repaying borrowing. As a result, net debt decreased on December 31, 2017; and debt to equity ratio is lower than which on December 31, 2016.

**(7) Transactions with Related Parties**

Compensation of key management personnel

The information on key management personnel compensation was as follows:

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 21,288	25,324
Post-employment benefits	490	578
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 21,778</u>	<u>25,902</u>

In 2017 and 2016, the Company provided six of its own cars with carrying amount of \$12,800, and five of its own cars with carrying amount of \$10,487, respectively, and another rental car with rental expense of \$905 per year for key management personnel use.

**(8) Pledged Assets**

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

<u>Pledged assets</u>	<u>Purpose</u>	<u>2017.12.31</u>	<u>2016.12.31</u>
Bond investments without active market — current—time deposits	Guarantee for customs and government grants	\$ 1,521	1,014
Investment property	Guarantee for short-term borrowings	-	14,277
Bond investments without active market — current—time deposits	Guarantee for short-term borrowings	2,902	419,414
Other financial assets—noncurrent— time deposits	Guarantee Letter of Credit for lease contracts	547	1,107
Property, plant and equipment—buildings	Guarantee for long-term borrowings	215,140	-
		<u>\$ 220,110</u>	<u>435,812</u>

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**(9) Commitments and Contingencies**

- (a) As of December 31, 2017 and 2016, The Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$21,797 and \$18,298, respectively.
- (b) As of December 31, 2017 and 2016, The Group has signed contracts for the purchase of equipments. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$11,384 and \$9,500, respectively.

**(10) Losses Due to Major Disaster: None.**

**(11) Significant Subsequent Event:**

- (a) According to the amendments the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences on December 31, 2017, the deferred tax assets would increase by \$5,725.
- (b) The Company's board of directors approved resolutions to repurchase 4,000 thousand shares of its shares as treasury shares from March to April, on March 2, 2018. As of March 14, 2018, when financial statements were authorized for issuance by the Board of Directors, 1,486 thousand shares had been repurchased.

**(12) Others**

The details of the Group's employee benefits, depreciation, and amortization were as follows:

	2017			2016		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits:						
Salaries and wages	360,784	178,696	539,480	385,170	196,459	581,629
Labor and health insurance	39,688	13,616	53,304	40,584	13,086	53,670
Pension expense	24,298	9,673	33,971	24,288	9,833	34,121
Other personnel cost	27,609	5,860	33,469	28,304	5,872	34,176
Depreciation	81,087	4,688	85,775	104,599	6,020	110,619
Amortization	639	540	1,179	667	398	1,065

**(13) Supplementary Disclosure Requirements**

- (a) Information on significant transactions:

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the year ended December 31, 2017 were as follows:

- (1) Loans extended to other parties: None.
- (2) Guarantees provided to other parties: None.
- (3) Securities owned as of December 31, 2017 (subsidiaries, associates and joint ventures not included):

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Name of security holder	Name of security and type	Relationship between the investee and the company	Financial statement account	December 31, 2017				Highest investment ratio during the year	Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)		
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	10,000	5.00%	(Note 1)	5.00%	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	1,000,000	25,000	2.17%	(Note 1)	2.17%	-
The Company	Innolux Corp. stock	-	Available-for-sale financial assets – current	1,147,089	14,224	0.01%	14,224	0.01%	-
The Company	Fubon Financial Holding Co., Ltd. Stock	-	Available-for-sale financial assets – current	300,000	15,210	-	15,210	-	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets – current	250,000	17,675	0.05%	17,675	0.05%	-
The Company	Taiwan Cement Corp., Ltd. Stock	-	Available-for-sale financial assets – current	300,000	10,935	0.01%	10,935	0.01%	-
The Company	Synnex Technology International Co., Ltd. Stock	-	Available-for-sale financial assets – current	474,600	19,245	0.03%	19,245	0.03%	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets – current	216,000	15,552	0.01%	15,552	0.01%	-
The Company	Mega Financial Holding Co., Ltd stock	-	Available-for-sale financial assets – current	555,000	13,348	-	13,348	-	-
The Company	Coasia Microelectronics Corp.	-	Available-for-sale financial assets – current	441,508	6,622	0.32%	6,622	0.32%	-
The Company	Shian Yih Electronic Co., Ltd. Stock	-	Available-for-sale financial assets – current	480,000	13,632	0.78%	13,632	0.78%	-
The Company	Edmond de Rothschild Europe Convertibles)	-	Available-for-sale financial assets – current	8,468.12	26,733	-	26,733	-	-
The Company	JPMorgan Asia Pacific Income Fund A (mth)	-	Available-for-sale financial assets – current	94,696.97	62,874	-	62,874	-	-
The Company	Fidelity Funds - Euro Balanced Fund	-	Available-for-sale financial assets – current	88,226.18	32,085	-	32,085	-	-
The Company	Yuanta Asia Pacific ex-Jpn Invst Grd Govt Bd Idx	-	Available-for-sale financial assets – current	2,000,000	17,615	-	17,615	-	-
The Company	UBS US High Yield Fund(USD)	-	Available-for-sale financial assets – current	3,700.00	31,283	-	31,283	-	-
The Company	BlackRock Emerging Market Bond Fund A2 (USD)	-	Available-for-sale financial assets – current	56,561.09	30,753	-	30,753	-	-
The Company	JPM Global Income A (acc)	-	Available-for-sale financial assets – current	11,490.71	62,671	-	62,671	-	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	550,000	15,620	0.90%	15,620	0.90%	-
Ying Dar Investment Development Corp.	AGV Products Corporation stock	-	Available-for-sale financial assets – current	101,500	761	0.02%	761	0.02%	-
Ying Dar Investment Development Corp.	The Company's stock	The Group	Available-for-sale financial assets – noncurrent	5,346,672	53,467	2.92%	53,467	2.74%	(Note 2)
Bae Haw Investment Development Corp.	Everest Technology Inc.	-	Financial assets carried at cost – noncurrent	1,000,000	-	1.47%	(Note 1)	1.47%	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets – current	380,000	10,792	0.62%	10,792	0.62%	-
Bae Haw Investment Development Corp.	The Company's stock	The Group	Available-for-sale financial assets – noncurrent	3,447,716	34,477	1.88%	34,477	1.88%	(Note 2)
Ying Cheng Investment Corp	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost – noncurrent	6,000,000	150,000	13.03%	(Note 1)	13.03%	-

Note 1: Fair value can't be reasonably estimated and reliably measured.

Note 2: It was eliminated in the consolidation.

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

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

- (5) Acquisition of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None.
- (6) Disposal of property, plant and equipment in excess of \$300 million or 20% of issued share capital: None.
- (7) Sales to and purchases from related parties in excess of \$100 million or 20% of issued share capital was as follows:

Purchasing (selling) Group	Counterparty	Relation-ship	Details of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables/payables		Remarks
			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 Corp., U.S.A.	Subsidiary of the Company	Sale	1,187,060	40.45%	3 months	Sales prices offered to Emerging Display Technologies Corp., U.S.A. was not significantly different from those offered to other customers.	Considering the special trading practices in North American market, the Group set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets..	352,080	57.59%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	340,128	20.68%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	(96,881)	25.24%	(Note)
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,187,060	100%	3 months	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	(352,080)	100%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	340,128	100%	1-3 months	The Group is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	96,881	100%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	342,550	100%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(65,241)	86.29%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	342,550	100%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	65,241	100%	(Note)

Note: It was eliminated in the consolidation.

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
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(8) Receivables from related parties in excess of \$100 million or 20% of issued share capital were as follows:

Name of Group	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Accounts receivable of 352,080	3.62	-	-	168,030	-	(Note)

Note: It was eliminated in the consolidation.

(9) Derivative financial instrument transactions:

Please refer to note 6(b).

(10) Significant inter-Group 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 Corp., U.S.A.	1	Sales revenue Accounts receivable	1,187,060 352,080	Considering the special trading practices in North American market, the Group set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets. The price in North American market is not significantly different from that in general market.	39.50% 9.96%
0	The Company	Tremendous Explore Corp.	1	Processing cost Accounts payable	340,128 96,881	No non-related-party transaction to compare to.	11.32% 2.74%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Selling expenses -Commission Other payable	1,087 454	No non-related-party transaction to compare to.	0.04% 0.01%
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission Other payable	48,415 3,332	No non-related-party transaction to compare to.	1.61% 0.09%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses -Commission	4,052	No non-related-party transaction to compare to.	0.13%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission Other payable	8,824 623	No non-related-party transaction to compare to.	0.29% 0.02%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing revenue Accounts receivable	342,550 65,241	No non-related-party transaction to compare to.	11.40% 1.85%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Purchase material	161,755	No non-related-party transaction to compare to.	5.38%

Note: Relationship notes as follows,

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

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

(b) Information on investees

Relevant information about investees is as follows: (excluding investments in Mainland China)

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Highest investment ratio during the year	Net income (loss) of the investee	Investment income (less) recognized	Remarks
				December 31, 2017	December 31, 2016	Number of shares	Percentage owned	Carrying value				
The Company	Emerging Display Technologies Corp., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	65,537 (Note1)	100.00%	377	(367)	Subsidiary (Note 3)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	89,772	78.49%	1,944	1,526	Subsidiary (Note 3)
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	1,720	100.00%	224	224	Subsidiary (Note 3)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(7,382)	100.00%	(3,181)	(3,181)	Subsidiary (Note 3)
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,145	100.00%	34	34	Subsidiary (Note 3)
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	2,855	100.00%	(3,549)	(3,549)	Subsidiary (Note 3)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	25,382	100.00%	4,183	1,999 (Note2)	Subsidiary (Note 3)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	33,709	100.00%	2,859	1,450 (Note2)	Subsidiary (Note 3)
The Company	Ying cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	85,355	52.50%	2,476	1,300	Subsidiary (Note 3)
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,748	5.90%	1,944	115	Subsidiary (Note 3)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,050	11.41%	1,944	222	Subsidiary (Note 3)

Note 1: It was deducted unrealized profit from sales \$12,338.

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

Note 3: It was eliminated in the consolidation.

(c) Information on investments in Mainland China:

(1) Related information regarding investments in Mainland China

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

Investee Group	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2017	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Dec. 31, 2017	Net income of investee	The Group's direct or indirect investment ratio	Highest investment ratio during the year	Investment gain (loss) recognized by the Group	Book value of the investment as of Dec. 31, 2017	Accumulated investment income repatriated to Taiwan as of Dec. 31, 2017
					Remittance	Repatriation							
Dong Guan Emerging Display Limited	Manufacturing of LCDs and Touch panel	248,516 (US\$ 7,625,300)	Investing through a third country by establishing a holding Group in a third country.	219,225 (US\$ 6,746,936) (Note1)	-	-	219,225 (US\$ 6,746,936)	1,834	95.80% (Note2)	95.80%	1,757 Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	100,575 (Note4)	-

**EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES**  
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(2) Upper limit on investment in Mainland China

<b>Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2017</b>	<b>Investment amount approved by the Investment Commission, Ministry of Economic Affairs</b>	<b>Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs</b>
206,376(Note 8) (US\$6,934,668)(Note5)	415,204(Note 8) (US\$13,951,732)(Note6)	1,189,539(Note7)

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

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

Note 3: The amount includes a gain of \$108 which was recognized by Ying Dar Investment Development Corp. and a gain of \$209 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$6,194 which was invested by Ying Dar Investment Development Corp. and \$11,979 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. didn't remit back after it had completed liquidation in 2009 due to net loss.

Note 6: The approved amount includes US\$637,732 obtained from Ying Dar Investment Development Corp. and US\$870,000 obtained from Bae Haw Investment Development Corp. The amount obtained from Ying Dar Investment Development Corp. includes the remaining capital amounting to \$6,589 (US\$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. didn't remit back after it had completed liquidation in 2009 due to net loss.

Note 7: The amount includes \$47,308 for Ying Dar Investment Development Corp. and \$40,912 for Bae Haw Investment Development Corp.

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

(3) Significant transactions:

The significant inter-Group transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, are disclosed in "Information on significant transactions".

**(14) Segment Information**

(a) General information

The Group has three reportable segments: the domestic segment, the North America segment and the mainland China segment. The domestic segment includes sales division, research develop division and manufacturing division. It engages in designing, manufacturing and selling of liquid crystal displays modules and capacitive touch panel, and functions as operating headquarters of the Group. The North America segment engages mainly in expanding the North American trading business and implements marketing function in North America. The North America segment engages in the sale of liquid crystal displays provided by the domestic segment. The mainland China segment engages in the manufacture of processing raw materials and supplies provided by the domestic segment and it deals mainly in the business of manufacturing liquid crystal display modules and capacitive touch panel.

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

- (b) Information which should be reported includes the segment income, segment assets, and segment liabilities, and their measurement basis and reconciliation information

The reported amounts are consistent with the management reports adopted by decision makers. There was no material inconsistency between the accounting policies of reportable segments and the accounting policies described in note 4. The reportable segments' income was measured using the operating income before tax, which was also used as the basis for performance evaluation. Sales and other transactions among consolidated entities were considered as transactions with third parties and they are measured based on the market value.

Reportable segment information is as follows:

	2017					Total
	Domestic	North America	Mainland China	Other operating department	Adjustments and elimination	
<b>Revenue</b>						
Sales to customers other than consolidated entities	\$ 1,747,878	1,256,925	-	333	-	3,005,136
Sales among consolidated entities	1,187,060	1,087	340,128	61,291	(1,589,566)	-
Interest revenue	13,298	2	42	32	-	13,374
<b>Total revenue</b>	<b>\$ 2,948,236</b>	<b>1,258,014</b>	<b>340,170</b>	<b>61,656</b>	<b>(1,589,566)</b>	<b>3,018,510</b>
Interest expenses	<b>\$ 10,838</b>	-	-	<b>17</b>	-	<b>10,855</b>
Depreciation and amortization	<b>\$ 81,674</b>	<b>662</b>	<b>4,417</b>	<b>202</b>	-	<b>86,955</b>
<b>Segment income</b>	<b>\$ 64,002</b>	<b>361</b>	<b>(1,040)</b>	<b>(3,219)</b>	<b>7,104</b>	<b>67,208</b>
<b>Segment assets</b>	<b>\$ 3,379,433</b>	<b>438,078</b>	<b>137,507</b>	<b>15,588</b>	<b>(435,483)</b>	<b>3,535,123</b>
<b>Segment liabilities</b>	<b>\$ 1,643,070</b>	<b>360,385</b>	<b>71,544</b>	<b>9,868</b>	<b>(467,306)</b>	<b>1,617,561</b>
	2016					
	Domestic	North America	Mainland China	Other operating department	Adjustments and elimination	Total
<b>Revenue</b>						
Sales to customers other than consolidated entities	\$ 1,673,626	1,504,230	-	1,063	-	3,178,919
Sales among consolidated entities	1,371,463	1,828	360,022	63,448	(1,796,761)	-
Interest revenue	3,787	11	37	21	-	3,856
<b>Total revenue</b>	<b>\$ 3,048,876</b>	<b>1,506,069</b>	<b>360,059</b>	<b>64,532</b>	<b>(1,796,761)</b>	<b>3,182,775</b>
Interest expenses	<b>\$ 11,758</b>	-	-	<b>4</b>	-	<b>11,762</b>
Depreciation and amortization	<b>\$ 102,070</b>	<b>748</b>	<b>8,647</b>	<b>379</b>	<b>(160)</b>	<b>111,684</b>
<b>Segment income</b>	<b>\$ 214,486</b>	<b>(3,136)</b>	<b>6,464</b>	<b>(1,713)</b>	<b>(117)</b>	<b>215,984</b>
<b>Segment assets</b>	<b>\$ 3,305,133</b>	<b>399,735</b>	<b>170,394</b>	<b>18,313</b>	<b>(439,727)</b>	<b>3,453,848</b>
<b>Segment liabilities</b>	<b>\$ 1,438,965</b>	<b>315,942</b>	<b>69,836</b>	<b>8,905</b>	<b>(420,469)</b>	<b>1,413,179</b>

The following is the explanation of material reconciliation item:

1. For the years ended December 31, 2017 and 2016, the operating segments revenue eliminated from the consolidated entities were \$1,589,566 and 1,796,761, respectively.
2. For the years ended December 31, 2017 and 2016, the operating segments depreciation and amortization eliminated from the consolidated entities were \$0 and 160, respectively.
3. For the years ended December 31, 2017 and 2016, the operating segments profit and loss eliminated from the consolidated entities were \$7,104 and 117, respectively.

4. For the years ended December 31, 2017 and 2016, the operating segments assets eliminated from the consolidated entities were \$435,483 and 439,727, respectively.
5. For the years ended December 31, 2017 and 2016, the operating segments liabilities eliminated from the consolidated entities were \$467,306 and 420,469, respectively.

(c) Products and services information

Sales to customers other than consolidated entities, classified by products and services, were as follows:

<b>Production</b>	<b>2017</b>	<b>2016</b>
Liquid crystal display modules	\$ 1,952,434	2,122,797
Capacitive touch panel and capacitive touch panel module	1,030,670	1,016,096
Other	22,032	40,026
	<b>\$ 3,005,136</b>	<b>3,178,919</b>

(d) Geographic information

Sales to customers other than consolidated entities, classified by location of customers, were as follows:

<b>Geographic Area</b>	<b>2017</b>	<b>2016</b>
Mainland China	\$ 666,807	756,898
Europe	1,136,396	1,077,995
USA	689,302	930,017
Japan	104,064	117,805
Taiwan	316,517	237,232
Korea	43,744	30,911
Other	48,306	28,061
	<b>\$ 3,005,136</b>	<b>3,178,919</b>

Non-current assets, classified by location of assets, were as follows:

Taiwan	\$ 334,305	404,362
Mainland China	7,707	11,183
USA	58,910	64,541
Europe	348	170
Other	49	63
	<b>\$ 401,319</b>	<b>480,319</b>

Non-current assets included in Property, plant and equipment, investment property, intangible assets and other assets, excluding financial instrument and deferred tax assets.

(e) Major customers' information

	<b>2017</b>	<b>2016</b>
A from location USA	<b>\$ 293,407</b>	<b>334,908</b>
B from location Taiwan	<b>\$ 404,143</b>	<b>404,912</b>

## **6.5 Parent-Company-Only Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report**

### **Independent Auditors' Report**

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

#### **Opinion**

We have audited the financial statements of Emerging Display Technologies Corp. ("the Company"), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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

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

Description of key audit matters:

Inventory is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company is engaged in the manufacture and sale of liquid crystal displays and capacity touch panels. The Company focuses on the small and medium sized niche markets of non consumable area. The products are used in industrial equipment, smart home devices, handheld devices, and information appliance products. The development strategy of the Company is focused on diversified and customized product. The impact to assess provision includes the purchasing and write down of the components which are used in diversified and customized products, the management of safety stocks levels, and production planning which effects the inventory cost. As a result there is a risk that the net realizable value of inventory falls below its carrying value. Therefore this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

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

## **2. Valuation of receivable**

Please refer to Note 4(f) and Note 5(a) of the financial statement for receivable and accounting estimate of receivable valuation, respectively. Information regarding the account receivable is shown in Note 6 (f) of the financial statement.

Description of key audit matters:

The Company's customers are the manufacturers of industrial equipment, smart home devices, handheld devices, and information appliance product. The cause of some customers delayed payment was there is a need to clarify the responsibility of problematic products that resulted from the failure of process or usage of end product. Because of the inherent credit risk of receivables, management has subjective and significant judgments with the balance of allowance for bad debts from receivables. Therefore this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the processes of account checking with customers and collecting; analyzing receivable aging report; assessing the reasonableness of the provision of receivable by reviewing the historical accuracy on provision, historical receipt records, industrial economy, and concentration of credit risk of its customers; and considering the adequacy of the Company's disclosures in the accounts.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Po Jen, Yang and Kuo Tsung, Chen.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2018

#### Notes to Readers

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

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



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		<u>2017</u>		<u>2016</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(u) and 7)</b>	\$ 2,934,938	100	3,045,089	100
5000	<b>Operating costs (notes 6(g), (m), (q), (v), 7 and 12)</b>	<u>2,543,718</u>	<u>87</u>	<u>2,548,633</u>	<u>84</u>
	<b>Gross profit</b>	391,220	13	496,456	16
5910	Less: Unrealized profit (loss) from sales	12,338	-	20,186	1
5920	Add: Realized profit (loss) on from sales	<u>20,186</u>	<u>1</u>	<u>24,531</u>	<u>1</u>
	<b>Gross profit</b>	<u>399,068</u>	<u>14</u>	<u>500,801</u>	<u>16</u>
	<b>Operating expenses (notes 6(m),(q), (v), 7 and 12):</b>				
6100	Selling expenses	119,044	4	119,965	4
6200	Administrative expenses	82,187	3	92,204	3
6300	Research and development expenses	<u>96,265</u>	<u>3</u>	<u>102,547</u>	<u>3</u>
		<u>297,496</u>	<u>10</u>	<u>314,716</u>	<u>10</u>
6500	<b>Net other income (expenses) (note 6(w))</b>	<u>1,094</u>	<u>-</u>	<u>1,094</u>	<u>-</u>
	<b>Net operating income</b>	<u>102,666</u>	<u>4</u>	<u>187,179</u>	<u>6</u>
	<b>Non-operating income and expenses (note 6(x)):</b>				
7010	Other income	18,604	-	15,683	-
7020	Other gains and losses	(45,902)	(2)	20,163	1
7050	Finance costs	(10,838)	-	(11,758)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>(564)</u>	<u>-</u>	<u>340</u>	<u>-</u>
		<u>(38,700)</u>	<u>(2)</u>	<u>24,428</u>	<u>1</u>
7900	<b>Profit before tax</b>	63,966	2	211,607	7
7950	<b>Income tax expense (note 6(r))</b>	<u>9,652</u>	<u>-</u>	<u>23,835</u>	<u>1</u>
8200	<b>Profit</b>	<u>54,314</u>	<u>2</u>	<u>187,772</u>	<u>6</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Remeasurements of defined benefit plans (note 6(q))	2,991	-	(6,053)	-
8349	Less: income tax related to components of other comprehensive income that may not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>2,991</u>	<u>-</u>	<u>(6,053)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation	(8,138)	-	(8,311)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets (note 6(y))	10,575	-	18,495	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss (note 6(s))	10,573	-	2,291	-
8399	Less: income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6(r))	<u>270</u>	<u>-</u>	<u>1,086</u>	<u>-</u>
		<u>12,740</u>	<u>-</u>	<u>11,389</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>15,731</u>	<u>-</u>	<u>5,336</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 70,045</u>	<u>2</u>	<u>193,108</u>	<u>6</u>
	<b>Earnings per share (New Taiwan Dollars) (note 6(t)):</b>				
9750	<b>Basic net income per share(New Taiwan Dollars)</b>	<u>\$ 0.33</u>		<u>1.03</u>	
9850	<b>Diluted net income per share(New Taiwan Dollars)</b>	<u>\$ 0.33</u>		<u>1.03</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Total other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	
<b>Balance on January 1, 2016</b>	<b>\$ 2,149,076</b>	<b>27,955</b>	-	-	<b>216,937</b>	<b>9,532</b>	<b>(108,533)</b>	<b>(259,140)</b>	<b>2,035,827</b>
Profit (loss) for the year ended December 31, 2016	-	-	-	-	187,772	-	-	-	187,772
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(6,053)	(9,825)	21,214	-	5,336
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	181,719	(9,825)	21,214	-	193,108
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	21,614	-	(21,614)	-	-	-	-
Special reserve appropriated	-	-	-	96,448	(96,448)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(60,272)	-	-	-	(60,272)
Purchase of treasury share	-	-	-	-	-	-	-	(211,167)	(211,167)
Retirement of treasury share	(200,000)	2,902	-	-	-	-	-	197,098	-
Cash dividends to subsidiaries	-	2,806	-	-	-	-	-	-	2,806
<b>Balance on December 31, 2016</b>	<b>1,949,076</b>	<b>33,663</b>	<b>21,614</b>	<b>96,448</b>	<b>220,322</b>	<b>(293)</b>	<b>(87,319)</b>	<b>(273,209)</b>	<b>1,960,302</b>
Profit for the year ended December 31, 2017	-	-	-	-	54,314	-	-	-	54,314
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	2,991	(8,416)	21,156	-	15,731
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	57,305	(8,416)	21,156	-	70,045
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	18,777	-	(18,777)	-	-	-	-
Special reserve appropriated	-	-	-	27,262	(27,262)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(70,025)	-	-	-	(70,025)
Purchase of treasury share	-	-	-	-	-	-	-	(128,382)	(128,382)
Retirement of treasury share	(115,000)	(13,382)	-	-	-	-	-	128,382	-
Cash dividends to subsidiaries	-	3,592	-	-	-	-	-	-	3,592
<b>Balance on December 31, 2017</b>	<b>\$ 1,834,076</b>	<b>23,873</b>	<b>40,391</b>	<b>123,710</b>	<b>161,563</b>	<b>(8,709)</b>	<b>(66,163)</b>	<b>(273,209)</b>	<b>1,835,532</b>

Note: For the years ended December 31, 2017 and 2016 the directors' and supervisors' remuneration amounted to \$2,086 and 6,900, and the employees' remuneration amounted to \$3,476 and \$11,500, respectively, has been charged against statement of comprehensive income.

See accompanying notes to financial statements.

**EMERGING DISPLAY TECHNOLOGIES CORP.****Statements of Cash Flows****For the years ended December 31, 2017 and 2016****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 63,966	211,607
Adjustments for:		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	80,533	101,009
Amortization expense	1,141	1,061
Bad debt expenses	262	-
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	4,655	(2,021)
Interest expense	10,838	11,758
Interest income	(11,707)	(3,525)
Dividend income	(6,445)	(8,356)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	564	(340)
Gain on disposal of property, plant and equipment and investment property	(25,124)	(175)
Gain on disposal of investments	(16,716)	(11,632)
Unrealized profit from sales	12,338	20,186
Realized profit on from sales	(20,186)	(24,531)
Unrealized foreign exchange gain	30,999	(10,285)
Gain on reversal of an impairment loss for investment property	(5,664)	-
<b>Total adjustments to reconcile profit</b>	<u>55,488</u>	<u>73,149</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in accounts receivable	(71,375)	29,004
Decrease (increase) in accounts receivable - related parties	(51,113)	95,855
Decrease (increase) in other receivable	3,915	(1,390)
Decrease (increase) in inventories	(11,596)	24,676
Increase in prepayment and other current assets	(1,326)	(471)
<b>Total changes in operating assets</b>	<u>(131,495)</u>	<u>147,674</u>
<b>Changes in operating liabilities:</b>		
Decrease in notes payable	(1,062)	(989)
Decrease in accounts payable	(3,555)	(12,078)
Increase (decrease) in accounts payable - related parties	(9,006)	8,780
Decrease in other payable	(26,557)	(33,467)
Decrease in other payable - related parties	(311)	(1,543)
Decrease in accrued expense and other current liabilities	(2,328)	(4,291)
Decrease in net defined benefit liability, non-current	(2,516)	(2,319)
<b>Total changes in operating liabilities</b>	<u>(45,335)</u>	<u>(45,907)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(176,830)</u>	<u>101,767</u>
<b>Total adjustments</b>	<u>(121,342)</u>	<u>174,916</u>
Cash flows from operations	(57,376)	386,523
Interest received	10,653	3,137
Dividends received	6,445	8,356
Interest paid	(10,080)	(10,341)
Income taxes paid	(12,102)	(369)
<b>Net cash flows from (used in) operating activities</b>	<u>(62,460)</u>	<u>387,306</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	-	(16,187)
Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition	-	63,683
Acquisition of available-for-sale financial assets	(206,517)	(32,464)
Proceeds from disposal of available-for-sale financial assets	231,346	272,644
Decrease (increase) in investments in debt instrument without active market	415,973	(417,223)
Acquisition of property, plant and equipment	(26,053)	(28,412)
Proceeds from disposal of property, plant and equipment, and investment property	48,132	175
Acquisition of intangible assets	(698)	(1,408)
Decrease (increase) in other financial assets	4	(44)
Increase in prepayments for business facilities	(5,991)	(377)
Dividends received	11,047	1,327
<b>Net cash flows from (used in) investing activities</b>	<u>467,243</u>	<u>(158,286)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowings	(155,000)	112,714
Proceeds from (Repayments of) long-term debt	400,000	(291,200)
Decrease in guarantee deposits received	(126)	-
Cash dividends paid	(70,028)	(60,263)
Payments to acquire treasury shares	(128,382)	(222,266)
<b>Net cash flows from (used in) financing activities</b>	<u>46,464</u>	<u>(461,015)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(27,775)</u>	<u>3,130</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>423,472</u>	<u>(228,865)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>675,142</u>	<u>904,007</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,098,614</u>	<u>675,142</u>

See accompanying notes to financial statements.

# EMERGING DISPLAY TECHNOLOGIES CORP.

## Notes to Parent-Company-Only Financial Statements

For the years ended December 31, 2017 and 2016

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

### (1) Company history

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

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

These financial statements were authorized for issuance by the Board of Directors on March 14, 2018.

### (3) Application of New standards, Amendments and Interpretations:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements–Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non–Financial assets–Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments–Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. The related new standards, interpretations and amendments are as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in debt securities. At December 31, 2017, the Company had equity investments classified as available-for-sale with a fair value of \$126,443 thousand and carried at cost of \$35,000 thousand. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. At December 31, 2017, the Company had open-ended fund classified as available-for-sale with a fair value of \$264,014 thousand . At initial application of IFRS 9, if with the same holding purpose, the Company would designate these investments as measured at FVTPL. Consequently, all fair value gains and losses would be reported in profit or loss. The Company estimated the application of IFRS 9's classification requirements on January 1, 2018 would result in a decrease of \$13,266 thousand in the other equity, as well as a decrease of \$8,314 thousand in retained earnings.

2) Impairment-Financial assets and contract assets

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

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

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

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

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

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

The Company believes that would not have any material impact on assets in the scope of the IFRS 9 impairment model.

3) Hedge accounting

When initially applying IFRS 9, the Company may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Company plans to continue to apply IAS 39.

4) Disclosures

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

5) Transition

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

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

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

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

For the sale of the Company's products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company assesses there would be no material impact because the point at which the related risks and rewards of ownership transfer is close to the point at which controlling power transfer.

2) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Company plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

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

The Company estimates the application of the amendments would change the estimate of deferred tax asset. However, there would be no material impact on financial statements.

(v) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration.

The Company plans to apply prospectively to all assets, expenses and income in the scope of the interpretation initially recognized after the date of the initial application (i.e. 1 January 2018).

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

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| June 7, 2017 | IFRIC 23 "Uncertainty over Income Tax Treatments" | <ul style="list-style-type: none"><li>• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li><li>• If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li></ul> |
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The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

**(4) Significant accounting policies:**

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

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

(a) Statement of compliance

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

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(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

- 1) Available-for-sale financial instrument;
- 2) A financial liability designated as hedge of the net investment in c foreign operation to the extent that the hedge is effective; or
- 3) Qualified cash flow hedge.

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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

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

(e) Cash and cash equivalents

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

(f) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis
- c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

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2) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, these financial assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary assets, are recognized in other comprehensive income and presented under fair value reserve in equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Financial assets in this category that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less any impairment losses, and they are classified as financial assets carried at cost.

Dividend income is recognized in profit or loss on the date when the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date; such dividend income is recognized in profit or loss, under income of non-operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss under other income of non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

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The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

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5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in profit or loss and it is included in non operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;
- b) Performance of the financial liabilities is evaluated on a fair value basis; or
- c) A hybrid instrument contains one or more embedded derivatives.

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Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expense.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and expenses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

(g) Inventories

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

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

(h) Investment in subsidiaries

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

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

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

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(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	2~55 years
2) Machinery	2~10 years
3) Furniture and fixtures	3~10 years
4) Other equipment	1~10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in an accounting estimate.

(iv) Reclassification to investment property

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

(k) Lease

(i) The Company as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases in which the Company does not assume substantially all of the risks and rewards of ownership are classified as operating leases. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

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

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(l) Intangible assets

(i) Recognition and measurement

Intangible assets, other than goodwill, acquired are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

The amortizable amount is the cost of an asset, less, its residual value.

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible asset from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Patents	9~20 years
2) Computer software cost	4 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as a change in accounting estimate.

(m) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell, and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

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(n) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(p) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Export sales revenue is recognized at the date of shipment, at which date the related risks and rewards are transferred to the customers. Domestic sales revenue is recognized at the date of deliveries received by the customers.

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(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

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(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

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

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

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

(s) Income taxes

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

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Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

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

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(u) Operating segments

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

**(5) Major sources of significant accounting assumptions, judgments, estimation uncertainty:**

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows, the amount of the impairment loss according to historical payment experiences, its current financial position and aging of receivables of its customers. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note 6(f) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(g) for further description of the valuation of inventories.

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

(a) Cash and cash equivalents

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash	\$ 138	160
Demand deposits	210,632	448,667
Checking accounts	653	565
Time deposits	857,088	225,750
Notes under repurchase agreement	<u>30,103</u>	<u>-</u>
Cash and cash equivalents in the statement of cash flows	<b><u>\$ 1,098,614</u></b>	<b><u>675,142</u></b>

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

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Financial assets at fair value through profit or loss		
Financial assets designated as at fair value through Profit or loss:		
Financial assets held for trading:		
Forward exchange contract	<b><u>\$ -</u></b>	<b><u>4,655</u></b>

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

As of December 31, 2016, the financial assets at fair value through profit or loss of the Company were not pledged as collaterals.

As of December 31, 2016, The Company uses derivative instruments to hedge certain currency the Company is exposed to arising from its operating activities. The Company held the following derivative instruments presented as held-for-trading financial assets or liabilities:

	<b><u>Contract amount (in thousands)</u></b>	<b><u>Currency</u></b>	<b><u>Maturity date</u></b>
Forward exchange contract	USD 6,000	NTD to USD	2017.01.06~2017.02.24

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(c) Available-for-sale financial assets

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Stocks listed on domestic markets	\$ 126,443	161,045
Stocks listed on foreign markets	-	59,763
Open-end mutual funds	<u>264,014</u>	<u>167,189</u>
	<b><u>\$ 390,457</u></b>	<b><u>387,997</u></b>

Please refer to note 6(x) for the recognition of gain or loss of disposal of investment.

Please refer to note 6(y) for the recognition of other comprehensive gain (loss) at fair value.

For the purpose of increasing investment benefits, the Company entrusted part of the listed stocks to banks. In accordance with the contract, The Company did not lose control of those financial assets. Therefore, those financial assets had not been derecognized. As of December 31, 2017 and 2016, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$31,898 and \$14,050, respectively.

As of December 31, 2017 and 2016, the available-for-sale financial assets of the Company were not pledged as collaterals.

(d) Bond instrument investment without active market

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Restricted time deposits	<b><u>\$ 4,423</u></b>	<b><u>420,428</u></b>

As of December 31, 2017 and 2016, the bond investment without an active market of the Company had been pledged as collateral; please refer to note 8.

(e) Financial assets measured at cost

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Stocks unlisted on domestic markets	<b><u>\$ 35,000</u></b>	<b><u>35,000</u></b>

The aforementioned investments held by the Company are measured at cost less accumulated impairment losses on the reporting date. Without active market, the fair value of these investments cannot be measured reliably.

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

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(f) Accounts receivable and other receivables

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Accounts receivable	\$ 259,313	190,827
Accounts receivable — related parties	352,080	304,585
Other receivable — current	16,689	19,550
Other receivable — deposits paid	4,036	4,040
Less: allowance for doubtful accounts	<u>(22,606)</u>	<u>(22,344)</u>
	<b><u>\$ 609,512</u></b>	<b><u>496,658</u></b>

Recognized in:

Account receivable, net	\$ 588,787	473,068
Other receivable	16,689	19,550
Other financial assets—noncurrent	<u>4,036</u>	<u>4,040</u>
	<b><u>\$ 609,512</u></b>	<b><u>496,658</u></b>

The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Overdue 1 to 30 days	\$ 69,601	27,807
Overdue 31 to 90 days	11,449	1,340
Overdue 91 to 270 days	5,311	-
Overdue over 271 days	<u>-</u>	<u>-</u>
	<b><u>\$ 86,361</u></b>	<b><u>29,147</u></b>

The movement in the allowance for accounts receivable and other receivables was as follows:

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance on January 1, 2017	\$ 22,344	-	22,344
Impairment loss recognized (Reversed)	<u>-</u>	<u>262</u>	<u>262</u>
Balance on December 31, 2017	<b><u>\$ 22,344</u></b>	<b><u>262</u></b>	<b><u>22,606</u></b>
Balance on January 1, 2016	\$ 22,344	-	22,344
Impairment loss recognized (Reversed)	<u>-</u>	<u>-</u>	<u>-</u>
Balance December 31, 2016	<b><u>\$ 22,344</u></b>	<b><u>-</u></b>	<b><u>22,344</u></b>

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The Company 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 evaluating the collectability of accounts receivable and other receivables. The Company evaluates the customers' credit and collectible amounts to estimate 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 December 31, 2017 and 2016, the accounts receivable and other receivables of the Company were not pledged as collateral.

(g) Inventories

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Raw materials and supplies	\$ 210,912	185,601
Work in process	288,846	299,867
Finished goods	144,383	149,713
Inventories in transit	7,439	4,803
	<b><u>\$ 651,580</u></b>	<b><u>639,984</u></b>

For the years ended December 31, 2017 and 2016, the cost of inventories recognized as operating costs and expenses were \$2,529,649 and \$2,516,450, respectively. In 2017, the reversal of write-downs amounted to \$9,535, as the Company sold its inventories which had been written down to net value. Therefore, the fact that inventories were written down below cost did not exist anymore. The reversal was recorded as a reduction of cost of sales. In 2016, the write-downs amounted to \$3,580, and the reversal was recorded as cost of sales.

As of December 31, 2017 and 2016, the inventories of the Company were not pledged as collaterals.

(h) Other current assets

The details of other current assets were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Tax refund receivable	\$ 1,368	2,180
Prepayment for purchases	5,231	2,923
Other prepaid expenses	4,898	7,337
	<b><u>\$ 11,497</u></b>	<b><u>12,440</u></b>

(i) Investments accounted for using equity method

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Subsidiaries	<b><u>\$ 298,093</u></b>	<b><u>295,829</u></b>

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Please refer to the consolidated financial statements for the year ended December 31, 2017.

As of December 31, 2017 and 2016, the investments accounted for using equity method of the Company were not pledged as collaterals.

(j) Non-controlling interests' share of subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2017.

(k) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2017 and 2016 were as follows:

	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2017	\$ 926,796	2,371,785	19,285	153,489	3,471,355
Additions	1,796	3,032	-	17,444	22,272
Reclassification	-	14,250	-	(14,250)	-
Disposals	-	(24,784)	-	(65,184)	(89,968)
Balance on December 31, 2017	<u>\$ 928,592</u>	<u>2,364,283</u>	<u>19,285</u>	<u>91,499</u>	<u>3,403,659</u>
Balance on January 1, 2016	\$ 925,501	2,478,158	18,912	144,269	3,566,840
Additions	1,295	8,232	373	20,691	30,591
Reclassification	-	11,373	-	(11,373)	-
Disposals	-	(125,978)	-	(98)	(126,076)
Balance on December 31, 2016	<u>\$ 926,796</u>	<u>2,371,785</u>	<u>19,285</u>	<u>153,489</u>	<u>3,471,355</u>
Depreciation:					
Balance on January 1, 2017	\$ 700,015	2,258,750	16,974	112,546	3,088,285
Depreciation	13,437	50,982	890	14,863	80,172
Disposals	-	(24,784)	-	(64,526)	(89,310)
Balance on December 31, 2017	<u>\$ 713,452</u>	<u>2,284,948</u>	<u>17,864</u>	<u>62,883</u>	<u>3,079,147</u>
Balance on January 1, 2016	\$ 684,856	2,315,142	15,957	97,757	3,113,712
Depreciation	15,159	69,586	1,017	14,887	100,649
Disposals	-	(125,978)	-	(98)	(126,076)
Balance on December 31, 2016	<u>\$ 700,015</u>	<u>2,258,750</u>	<u>16,974</u>	<u>112,546</u>	<u>3,088,285</u>
Carrying amounts:					
Balance on December 31, 2017	<u>\$ 215,140</u>	<u>79,335</u>	<u>1,421</u>	<u>28,616</u>	<u>324,512</u>
Balance on January 1, 2016	<u>\$ 240,645</u>	<u>163,016</u>	<u>2,955</u>	<u>46,512</u>	<u>453,128</u>
Balance on December 31, 2016	<u>\$ 226,781</u>	<u>113,035</u>	<u>2,311</u>	<u>40,943</u>	<u>383,070</u>

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

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

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(l) Investment property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2017	\$ 10,079	21,670	31,749
Disposals	<u>(10,079)</u>	<u>(21,670)</u>	<u>(31,749)</u>
Balance on December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2016	<u>\$ 10,079</u>	<u>21,670</u>	<u>31,749</u>
Balance on December 31, 2016	<u>\$ 10,079</u>	<u>21,670</u>	<u>31,749</u>
Depreciation and impairment loss:			
Balance on January 1, 2017	\$ -	14,702	14,702
Depreciation	-	361	361
Reversal of impairment loss	-	(5,664)	(5,664)
Disposals	<u>-</u>	<u>(9,399)</u>	<u>(9,399)</u>
Balance on December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2016	\$ -	14,342	14,342
Depreciation	<u>-</u>	<u>360</u>	<u>360</u>
Balance on December 31, 2016	<u>\$ -</u>	<u>14,702</u>	<u>14,702</u>
Carrying amounts:			
Balance on December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2016	<u>\$ 10,079</u>	<u>7,328</u>	<u>17,407</u>
Balance on December 31, 2016	<u>\$ 10,079</u>	<u>6,968</u>	<u>17,047</u>
Fair value:			
Balance on December 31, 2016			<u>\$ 20,475</u>

In June, 2017, the Company tested the cash generating unit (CGU) of investment property for impairment, and estimated the recoverable amount was higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized. Therefore, the Company reversed the increased amount, amounting to \$5,664. The reversal was recognized in other gains and losses in accompanying statements of comprehensive income. When assessing the impairment of investment property, the Company calculated the recoverable amount base on its value-in-use. When measuring the value-in-use of investment property, the Company considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. The yield applied to the net annual rentals to determine the fair value of investment property was 1.845%.

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In November 2017, the Company sold aforementioned investment property for \$46,906, with gain on disposal amounting to \$24,556, which was recognized in other gains and losses in accompanying statements of comprehensive income. Before selling it, investment property was leased to third parties for factories. Each of the leases contains an initial non-cancellable period of five years. Subsequent renewals are negotiated with the lessee. No contingent rents were charged. See note 6(p) for further information (including rental income and other direct operation cost).

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

When measuring the fair value of investment property, the Company considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. In 2016, the yields applied to the net annual rentals to determine the fair value of investment property was 2.826%.

As of December 31, 2016, the investment property of the Company had been pledged as collateral for short-term borrowings, please refer to note 8.

(m) Intangible assets

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

	<b>Patent and other</b>	<b>Computer software cost</b>	<b>Total amount</b>
Initial cost			
Balance on January 1, 2017	\$ 6,725	50,799	57,524
Individual acquisition	550	148	698
Disposal	<u>(3,376)</u>	<u>(47,756)</u>	<u>(51,132)</u>
Balance on December 31, 2017	<b><u>\$ 3,899</u></b>	<b><u>3,191</u></b>	<b><u>7,090</u></b>
Balance on January 1, 2016	\$ 6,454	49,662	56,116
Individual acquisition	<u>271</u>	<u>1,137</u>	<u>1,408</u>
Balance on December 31, 2016	<b><u>\$ 6,725</u></b>	<b><u>50,799</u></b>	<b><u>57,524</u></b>
Amortization:			
Balance on January 1, 2017	\$ 4,882	48,774	53,656
Amortization	391	750	1,141
Disposal	<u>(3,376)</u>	<u>(47,756)</u>	<u>(51,132)</u>
Balance on December 31, 2017	<b><u>\$ 1,897</u></b>	<b><u>1,768</u></b>	<b><u>3,665</u></b>
Balance on January 1, 2016	\$ 4,516	48,079	52,595
Amortization	<u>366</u>	<u>695</u>	<u>1,061</u>
Balance on December 31, 2016	<b><u>\$ 4,882</u></b>	<b><u>48,774</u></b>	<b><u>53,656</u></b>

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	<u>Patent and other</u>	<u>Computer software cost</u>	<u>Total amount</u>
Carrying value			
Balance on December 31, 2017	<u>\$ 2,002</u>	<u>1,423</u>	<u>3,425</u>
Balance on January 1, 2016	<u>\$ 1,938</u>	<u>1,583</u>	<u>3,521</u>
Balance on December 31, 2016	<u>\$ 1,843</u>	<u>2,025</u>	<u>3,868</u>

For the years 2017 and 2016, the amortization expenses of intangible assets included in the statement of comprehensive income were as follows:

	<u>2017</u>	<u>2016</u>
Operating costs	\$ 639	667
Operating expenses	<u>502</u>	<u>394</u>
Total	<u>\$ 1,141</u>	<u>1,061</u>

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

(n) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unsecured bank loans	\$ 557,000	330,000
Secured bank loans	<u>-</u>	<u>382,000</u>
Total	<u>\$ 557,000</u>	<u>712,000</u>
Unused short-term credit lines	<u>\$ 1,130,126</u>	<u>1,236,686</u>
Range of interest rates	<u>0.88%~1.05%</u>	<u>0.88%~1.10%</u>

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

As of December 31, 2017 and 2016, the letters of credit which were accepted for purchase of raw materials amounted to \$8,917 and \$11,017.

(o) Long-term borrowings

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Secured bank loans	\$ 400,000	-
Less: discount on long term borrowings	<u>(1,754)</u>	<u>-</u>
Total	<u>\$ 398,246</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 400,000</u>	<u>800,000</u>
Range of interest rates	<u>1.7895%</u>	<u>-</u>

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The Company signed a 3-year syndicated loan contract with Taishin International Bank and seven other Banks at November 17, 2016. The line of credit was \$800,000 in total. As of December 31, 2016, the line of credit had not been used. The Company borrowed \$400,000 at August 15, 2017. Repayment will be made in three installments, every six months after two years from the borrowing date. The first and second repayments will be NT\$80,000 respectively. The third repayment will be NT\$240,000. Restrictions related to the contract are as follows:

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

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

For the year 2016, the repayments amounted to \$291,200, of which \$254,800 was repaid in advance because of financing strategies.

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

(p) Operating lease

(i) The Company as leasee

Non-cancellable operating lease rentals that were payable were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Less than one year	\$ 2,366	3,769
Between one and five years	3,397	1,687
Over five years	2,434	-
	<b><u>\$ 8,197</u></b>	<b><u>5,456</u></b>

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

The rental expenses of operating leases were \$4,041 and \$4,052 for each of the years ended December 31, 2017 and 2016, and were included in profit or loss.

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(ii) The Company as lessor

The Company leased out its investment property to third parties under operating leases before November, 2017. Please refer to note 6(l). As of December, 31 2016 the future minimum lease receivable under non-cancellable leases were as follows:

Less than one year	\$	945
Between one and five years		<u>1,890</u>
	<b>\$</b>	<b><u>2,835</u></b>

The rental income from investment property was \$900 in both 2017 and 2016. The investment property did not have any significant maintenance expense.

(q) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Present value of defined benefit obligations	\$ 182,028	186,226
Fair value of plan assets	<u>(99,030)</u>	<u>(97,721)</u>
Net defined benefit liabilities (assets)	<b><u>\$ 82,998</u></b>	<b><u>88,505</u></b>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$99,030 as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

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

	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 186,226	180,918
Current service and interest cost	3,390	4,056
Remeasurement of the net defined benefit liabilities (assets)		
— Actuarial loss (gain) on financial assumptions change	(3,910)	4,201
— Experience	372	701
Employee benefits paid	<u>(4,050)</u>	<u>(3,650)</u>
Balance at December 31	<u><b>\$ 182,028</b></u>	<u><b>186,226</b></u>

3) Movements of defined benefit plan assets

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

	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 97,721	96,147
Interest income	1,497	1,839
Remeasurement of the net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest cost)	(548)	(1,151)
Contributions made by employer	4,410	4,536
Employee benefits paid	<u>(4,050)</u>	<u>(3,650)</u>
Balance at December 31	<u><b>\$ 99,030</b></u>	<u><b>97,721</b></u>

4) Expenses recognized in profit or loss

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

	<u>2017</u>	<u>2016</u>
Current service cost	\$ 599	670
Interest cost on net defined benefit liabilities (assets)	<u>1,294</u>	<u>1,547</u>
	<u><b>\$ 1,893</b></u>	<u><b>2,217</b></u>

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	<u>2017</u>	<u>2016</u>
Operating cost	\$ 1,484	1,760
Selling expenses	62	71
General and administrative expenses	194	218
Research and development expenses	<u>153</u>	<u>168</u>
	<u>\$ 1,893</u>	<u>2,217</u>
Actual return on assets	<u>\$ 949</u>	<u>668</u>

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

The Company's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Cumulative amount at January 1	\$ (35,043)	(28,990)
Recognized during the period	<u>2,991</u>	<u>(6,053)</u>
Cumulative amount at December 31	<u>\$ (32,052)</u>	<u>(35,043)</u>

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate at December 31	1.625%	1.500%
Future salary increases	2.750%	2.750%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$4,270.

The weighted-average lifetime of the defined benefits plans is 19.78 years.

7) Sensitivity analysis

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

	<u>Influences of defined benefit obligations</u>	
	<u>Increased</u>	<u>Decreased</u>
As of December 31, 2017		
Discount rate (changed 0.25%)	(7,500)	7,896
Future salary increasing rate (changed 0.25%)	7,701	(7,344)

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	Influences of defined benefit obligations	
	Increased	Decreased
As of December 31, 2016		
Discount rate (changed 0.25%)	(7,971)	8,386
Future salary increasing rate (changed 0.25%)	8,175	(7,786)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

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

Details of the Company's pension costs, contributed to the Bureau of Labor Insurance, under the defined contribution method were as follows:

	2017	2016
Operating cost	\$ 17,372	17,878
Selling expenses	1,265	1,313
General and administrative expenses	1,235	1,168
Research and development expenses	2,276	2,137
	<b>\$ 22,148</b>	<b>22,496</b>

(r) Income taxes

(i) Income tax expenses

The amount of income tax expense was as follows:

	2017	2016
Current tax expense (benefit)		
Current period	\$ 19,312	11,610
Adjustment for prior periods	185	133
	19,497	11,743

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	<u>2017</u>	<u>2016</u>
Deferred tax expense		
Origination and reversal of temporary differences	(3,575)	20,389
Change in unrecognized deductible temporary differences	<u>(6,270)</u>	<u>(8,297)</u>
	<u>(9,845)</u>	<u>12,092</u>
Income tax expenses	<u><b>\$ 9,652</b></u>	<u><b>23,835</b></u>

No income tax was recognized directly in equity in 2017 and 2016.

The amount of income tax recognized in other comprehensive income for 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Items that will be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on available-for-sale financial assets	<u><b>\$ (270)</b></u>	<u><b>(1,086)</b></u>

Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Income before income tax	<u><b>\$ 63,966</b></u>	<u><b>211,607</b></u>
Income tax calculated based on the Company's tax rate	\$ 10,874	35,973
Investment loss (gain) under equity method	96	(31)
Income tax already paid abroad	76	150
Tax-exempt income	(1,907)	(3,005)
Adjustment for prior year	185	133
Change in unrecognized temporary differences	(6,270)	(8,297)
Undistributed earnings additional tax at 10%	9,116	3,860
Investment tax credit	(3,900)	-
Others	<u>1,382</u>	<u>(4,948)</u>
Total	<u><b>\$ 9,652</b></u>	<u><b>23,835</b></u>

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Unrealized inventory valuation and obsolescence loss	\$ -	4,711
Pension expense	12,479	13,075
Temporary differences related to investment on subsidiaries	48,828	49,213
Others	-	963
	<b><u>\$ 61,307</u></b>	<b><u>67,962</u></b>

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

2) Recognized deferred tax assets and liabilities

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

Deferred tax liabilities:

	<b>Unrealized exchange gain</b>	<b>Others</b>	<b>Total</b>
<b>Balance on January 1, 2017</b>	\$ 1,748	1,064	2,812
Recognized in profit or loss	(1,748)	(1,064)	(2,812)
<b>Balance on December 31, 2017</b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Balance on January 1, 2016</b>	\$ 2,264	275	2,539
Recognized in profit or loss	(516)	789	273
<b>Balance on December 31, 2016</b>	<b><u>\$ 1,748</u></b>	<b><u>1,064</u></b>	<b><u>2,812</u></b>

Deferred tax assets:

	<b>Tax loss carry-for- ward</b>	<b>Inventory valuation loss</b>	<b>Unrealized sales profit</b>	<b>Unrealized loss</b>	<b>Others</b>	<b>Total</b>
<b>Balance on January 1, 2017</b>	\$ -	9,755	3,433	-	12,495	25,683
Recognized in profit or loss	-	3,090	(1,334)	5,270	7	7,033
Recognized in other comprehensive income	-	-	-	-	(270)	(270)
<b>Balance on December 31, 2017</b>	<b><u>\$ -</u></b>	<b><u>12,845</u></b>	<b><u>2,099</u></b>	<b><u>5,270</u></b>	<b><u>12,232</u></b>	<b><u>32,446</u></b>
<b>Balance on January 1, 2016</b>	\$ 19,794	881	4,171	-	13,742	38,588
Recognized in profit or loss	(19,794)	8,874	(738)	-	(161)	(11,819)
Recognized in other comprehensive income	-	-	-	-	(1,086)	(1,086)
<b>Balance on December 31, 2016</b>	<b><u>\$ -</u></b>	<b><u>9,755</u></b>	<b><u>3,433</u></b>	<b><u>-</u></b>	<b><u>12,495</u></b>	<b><u>25,683</u></b>

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(iii) Examination and Approval

The Company's tax returns for the years through 2015 were examined and approved by the R.O.C tax authority.

(iv) Information related to the ICA is summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unappropriated earnings of 1997 and before	\$ -	-
Unappropriated earnings of 1998 and after	-	220,322
	<u>\$ - (note)</u>	<u>220,322</u>
Balance of the imputation credit account	<u>\$ - (note)</u>	<u>2,376</u>
	<u>2017 (expected)</u>	<u>2016 (actual)</u>
Tax creditable ratio for earnings distribution to ROC residents	<u>(note)</u>	<u>5.78%</u>

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(s) Capital and other equities

(i) Ordinary shares

As of December 31, 2017 and 2016, the authorized share capital of the Company amounted to \$3,500,000, comprising 350,000 thousand shares with a par value of New Taiwan dollars (TWD) 10 per share.

Reconciliation of shares issued by the Company is as follows:

	<u>Ordinary shares</u>	
	<u>2017</u>	<u>2016</u>
Expressed in thousands of shares		
Balance on January 1, 2017	194,908	214,908
Treasury stock retired	(11,500)	(20,000)
Balance on December 31, 2017	<u>183,408</u>	<u>194,908</u>

As of December 31, 2017 and 2016, the weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Company's subsidiaries were 162,613 thousand shares and 174,113 thousand shares, respectively.

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(ii) Capital surplus

The balances of capital surplus as of December 31, 2017 and 2016 were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Treasury share transactions	<b>\$ 23,873</b>	<b>33,663</b>

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

(iii) Retained Earning

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

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

1) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2017 and 2016, Resolutions were passed during the board meeting for the Company to reclassify \$87,612 and \$62,110, respectively, as a special earnings reserve.

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In accordance with Ruling No. 1010047490 issued by the FCS on November 21, 2012, if the market value of the Company's shares is lower than the carrying value of the Company's shares held by the subsidiaries at year-end, the Company should retain a special reserve amounting to the difference between the market value and the carrying value, based upon the Company's ownership percentage in the subsidiaries. When market value rebounds, the Company could reverse the special reserve. As of December 31, 2017 and 2016 Resolutions were passed during the board meeting for the Company to reclassify \$36,098 and \$34,338, respectively, as a special earnings reserve.

3) Earnings distribution

According to the resolutions of the annual stockholders' meetings held on June 8, 2017, and June 7, 2016, the appropriations of dividend from the distributable retained earnings of 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Dividends distributed to ordinary shareholders		
Cash	<b><u>\$0.40852705</u></b> (note 1)	<b><u>0.31905693</u></b> (note 2)

(Note1) According to the resolutions of the annual stockholders meetings, the appropriation of dividend from the distributable retained earnings was \$0.4 per share. However, it was adjusted to \$0.40852705 because the repurchase of treasury stock affected shares outstanding.

(Note2) According to the resolutions of the annual stockholders meetings, the appropriation of dividend from the distributable retained earnings was \$0.3036 per share. However, it was adjusted to \$0.31905693 because the repurchase of treasury stock affected shares outstanding.

(iv) Other equity (net of tax)

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Unrealized gains (losses) on available-for-sale financial assets</b>	<b>Total</b>
Balance on January 1, 2017	\$ (293)	(87,319)	(87,612)
The Company	(8,138)	10,305	2,167
Subsidiaries	(278)	10,851	10,573
Balance on December 31, 2017	<b><u>\$ (8,709)</u></b>	<b><u>(66,163)</u></b>	<b><u>(74,872)</u></b>

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	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on available-for- sale financial assets	Total
Balance on January 1, 2016	\$ 9,532	(108,533)	(99,001)
The Company	(8,311)	17,409	9,098
Subsidiaries	(1,514)	3,805	2,291
Balance on December 31, 2016	<u>\$ (293)</u>	<u>(87,319)</u>	<u>(87,612)</u>

(v) Treasury shares

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

(Unit: thousands)

<u>Reason for repurchase</u> <u>2017</u>	<u>January 1</u>	<u>Shares repurchased</u>	<u>Shares retired</u>	<u>December 31</u>
To maintain the Company's integrity and shareholder's equity	-	11,500	(11,500)	-
To transfer shares to the Company's employee	12,000	-	-	12,000
	<u>12,000</u>	<u>11,500</u>	<u>(11,500)</u>	<u>12,000</u>
<b>2016</b>				
To maintain the Company's integrity and shareholder's equity	14,000	6,000	(20,000)	-
To transfer shares to the Company's employee	-	12,000	-	12,000
	<u>14,000</u>	<u>18,000</u>	<u>(20,000)</u>	<u>12,000</u>

The Board of Directors has resolved during the board meeting held on January 5 and February 20, 2017, for the Company to repurchase 11,500 thousand shares of its stock as treasury stock, amounting to \$115,000. The Company's Board of Directors approved resolutions to retire treasury stock amounting to 11,500 thousand shares on February 9 and May 9, 2017. The Board of Directors has resolved during the board meeting held on February 15, October 19, and November 9, 2016, for the Company to repurchase 18,000 thousand shares of its stock as treasury stock. The Company's Board of Directors approved resolutions to retire 20,000 thousand shares of treasury stock, amounting to \$200,000, on January 14 and December 5, 2016. The related registration procedures had been completed.

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

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

Ying Dar Corp. and Bae Haw Corp., subsidiaries of the Company, held the Company's common stock. In 2017 and 2016, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of December 31, 2017 and 2016, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of December 31, 2017 and 2016, their market values amounted to \$87,944 and \$86,185, respectively.

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
<b>Basic earnings per share</b>		
Profit (loss) attributable to ordinary shareholders of the Company	<u><u>\$ 54,314</u></u>	<u><u>187,772</u></u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	<u><u>163,779</u></u>	<u><u>181,702</u></u>
Expressed in New Taiwan dollars	<u><u>\$ 0.33</u></u>	<u><u>1.03</u></u>
<b>Diluted earnings per share</b>		
Profit (loss) attributable to ordinary shareholders of the Company	<u><u>\$ 54,314</u></u>	<u><u>187,772</u></u>
Weighted-average number of ordinary shares (expressed in thousands of shares)	163,779	181,702
Effect of potentially dilutive ordinary stock		
– Employee share bonus (expressed in thousands of shares)	<u>533</u>	<u>1,399</u>
Weighted-average number of ordinary shares – diluted (expressed in thousands of shares)	<u><u>164,312</u></u>	<u><u>183,101</u></u>
Expressed in New Taiwan dollars	<u><u>\$ 0.33</u></u>	<u><u>1.03</u></u>

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

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(u) Revenue

The details of revenue for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Sales of goods	<u>\$ 2,934,938</u>	<u>3,045,089</u>

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

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

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to \$3,476 and \$11,500, and directors' and supervisors' remuneration amounting to \$2,086 and \$6,900, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. Related information would be available at the Market Observation Post System website. The aforementioned amounts are identical to those of the estimated amounts, as stated in the parent only financial statements 2017 and 2016.

(w) Net other income (expenses)

Net other income (expenses) consist of rental income.

(x) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	<u>2017</u>	<u>2016</u>
Interest income		
Bank deposits	\$ 11,707	3,289
Other loans and receivables	157	236
Dividend income	6,445	8,356
Others	<u>295</u>	<u>3,802</u>
	<u>\$ 18,604</u>	<u>15,683</u>

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(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2017</u>	<u>2016</u>
Foreign exchange gains (losses)	\$ (79,200)	(2,420)
Gains on disposal of investments and financial liabilities		
Net gains on disposal of available-for-sale financial assets	16,716	11,632
Others	-	(158)
Net gain (losses) on disposal of financial assets (liabilities) measured at fair value through profit or loss	(14,206)	10,954
Gain on disposal of investment property	24,556	-
Gain on disposal of property, plant and equipment	568	175
Gain on reversal of impairment loss on investment property	5,664	-
Others	-	(20)
	<u>\$ (45,902)</u>	<u>20,163</u>

(iii) Finance costs

The details of finance costs were as follows:

	<u>2017</u>	<u>2016</u>
Interest expenses		
Bank loans	\$ 10,321	11,758
Management fee	517	-
	<u>\$ 10,838</u>	<u>11,758</u>

(y) Reclassification adjustments components of other comprehensive income

The details of reclassified adjustments of the components of other comprehensive income were as follows:

	<u>2017</u>	<u>2016</u>
Available-for-sale financial assets		
Net change in fair value	\$ 27,766	30,327
Net change in fair value reclassified to profit or loss	(17,191)	(11,832)
Net change in fair value recognized in other comprehensive income	<u>\$ 10,575</u>	<u>18,495</u>

**EMERGING DISPLAY TECHNOLOGIES CORP.**  
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(z) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

To reduce the credit risk of accounts receivable, the Company continuously evaluates customers' financial condition, and requires customers to provide a guarantee if necessary. The Company 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. As of December 31, 2017 and 2016, one customer accounted for 58% and 61%, respectively, of total accounts receivable.

(ii) Liquidity Risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2017</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,246	(418,411)	(3,550)	(5,393)	(86,617)	(322,851)	-
Unsecured loans (floating rate)	557,000	(557,461)	(557,461)	-	-	-	-
Accounts payable (no interest)	286,991	(286,991)	(286,991)	-	-	-	-
Accounts payable—related parties (no interest)	96,881	(96,881)	(96,881)	-	-	-	-
Notes payable (no interest)	1,141	(1,141)	(1,141)	-	-	-	-
Other payable (no interest)	66,670	(66,670)	(66,670)	-	-	-	-
Other payable—related parties (no interest)	4,409	(4,409)	(4,409)	-	-	-	-
Guarantee deposits (no interest)	34	(34)	-	-	(34)	-	-
	<u>\$ 1,411,372</u>	<u>(1,431,998)</u>	<u>(1,017,103)</u>	<u>(5,393)</u>	<u>(86,651)</u>	<u>(322,851)</u>	<u>-</u>
<b>December 31, 2016</b>							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 382,000	(382,144)	(382,144)	-	-	-	-
Unsecured loans (floating rate)	330,000	(330,148)	(330,148)	-	-	-	-
Accounts payable (no interest)	293,301	(293,301)	(293,301)	-	-	-	-
Accounts payable—related parties (no interest)	106,250	(106,250)	(106,250)	-	-	-	-
Notes payable (no interest)	2,203	(2,203)	(2,203)	-	-	-	-
Other payable (no interest)	69,825	(69,825)	(69,825)	-	-	-	-
Other payable—related parties (no interest)	4,787	(4,787)	(4,787)	-	-	-	-
Guarantee deposits (no interest)	160	(160)	-	-	-	(160)	-
	<u>\$ 1,188,526</u>	<u>(1,188,818)</u>	<u>(1,188,658)</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 56,721	29.76	1,688,022	44,564	32.25	1,437,197
JPY	7,511	0.2642	1,984	47,505	0.2756	13,092
CNY	47	4.565	214	2,191	4.617	10,115
<u>Non-Monetary items</u>						
USD	8,280	29.76	246,400	6,635	32.25	213,985
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	8,275	29.76	246,261	8,961	32.25	288,996
JPY	27,059	0.2642	7,149	22,992	0.2756	6,337

2) Sensitivity analysis

The foreign currency risk mainly arose 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 December 31, 2017 and 2016, if the exchange rate of the TWD versus the USD, CNY, and JPY had increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by \$11,926 and \$9,631, respectively.

3) Exchange gains and losses of monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2017 and 2016, foreign exchanges loss (including realized and unrealized portions) amount to \$79,200 and \$2,420, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

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If interest rates on loans had increased or decreased by 1%, with all other variables held constant, profit after tax for the years 2017 and 2016 would have been decreased or increased by \$105 and \$58, respectively, mainly as a result of liabilities bearing floating interest rates.

(v) Other prices risks

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

Prices at reporting date	2017		2016	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase by 3%	\$ 10,456	-	10,572	-
Decrease by 3%	\$ (10,456)	-	(10,572)	-

(vi) Fair value

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	Carrying amount	December 31, 2017			Total
		Fair Value			
		Level 1	Level 2	Level 3	
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	\$ 126,443	126,443	-	-	126,443
Open-end mutual fund	264,014	264,014	-	-	264,014
Financial assets carried at cost	<u>35,000</u>	-	-	-	-
Subtotal	<u>425,457</u>				

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	December 31, 2017				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Loans and receivables</b>					
Cash and cash equivalents	1,098,614	-	-	-	-
Debt instrument without active market	4,423	-	-	-	-
Accounts receivable	588,787	-	-	-	-
Other receivable	16,689	-	-	-	-
Other receivable – refundable deposits (recognized in other assets – current)	4,036	-	-	-	-
Subtotal	<u>1,712,549</u>				
<b>Total financial assets</b>	<b><u>\$2,138,006</u></b>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 955,246	-	-	-	-
Notes payable	1,141	-	-	-	-
Accounts payable	383,872	-	-	-	-
Other payable	71,079	-	-	-	-
Guarantee deposits	34	-	-	-	-
<b>Total financial liabilities</b>	<b><u>\$1,411,372</u></b>				
<b>December 31, 2016</b>					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Forward exchange contract	\$ 4,655	-	4,655	-	4,655
<b>Available-for-sale financial assets</b>					
Stocks in listed companies	220,808	220,808	-	-	220,808
Open-end mutual fund	167,189	167,189	-	-	167,189
Financial assets carried at cost	35,000	-	-	-	-
Subtotal	<u>422,997</u>				
<b>Loans and receivables</b>					
Cash and cash equivalents	675,142	-	-	-	-
Debt instrument without active market	420,428	-	-	-	-
Accounts receivable	473,068	-	-	-	-
Other receivable	19,550	-	-	-	-
Other receivable – refundable deposits (recognized in other assets – current)	4,040	-	-	-	-
Subtotal	<u>1,592,228</u>				
<b>Total financial assets</b>	<b><u>\$2,019,880</u></b>				

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	December 31, 2016				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 712,000	-	-	-	-
Notes payable	2,203	-	-	-	-
Accounts payable	399,551	-	-	-	-
Other payable	74,612	-	-	-	-
Guarantee deposits	<u>160</u>	-	-	-	-
<b>Total financial liabilities</b>	<b><u>\$1,188,526</u></b>				

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

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

3) Valuation techniques and assumptions unused in fair value determination

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

For financial liabilities measured at amortized cost, if there is quoted price generated by transactions, the recent transaction price and quoted price data are used as the basic value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values. Because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

4) Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

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

Derivative instruments

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

5) Transfer between level 1 to level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2017 and 2016.

(aa) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

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

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

(ii) Structure of risk management

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

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

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

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(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

The Company established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and other receivables. Major components of this impairment allowance are a specific loss component that relates to individually significant exposure and a collective loss component wherein the loss is incurred but not identified. The collective component is based on historical payment experience for similar financial assets.

2) Investment

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

(iv) Liquidity risk

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

As of December 31, 2017 and 2016, the Company had unused credit lines amounting to \$1,530,126 and \$2,036,685, respectively.

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(v) Market risk

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

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

1) Currency risk

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

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

Interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD and US dollars (USD).

When the assets and liabilities denominated in a currency other than a functional currency have a short-term imbalance, the Company should purchase or sell foreign currencies at the spot rate on the transaction date in order to maintain an acceptable exposure to currency risk.

2) Interest rate risk

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

3) Other market price risk

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

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(ab) Capital management

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

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

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

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents, current available-for-sale financial assets, current, and financial assets at fair value through profit or loss, current. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest. As in 2017, the Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2017 and 2016, is as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Net debt	<u>\$ 141,324</u>	<u>370,762</u>
Total equity	<u>\$ 1,835,567</u>	<u>1,960,302</u>
Debt-to-equity ratio	7.70%	18.91%

In 2017, cash and cash equivalent increased since restricted deposits decreased for repaying borrowing. As a result, net debt decreased on December 31, 2017; and debt to equity ratio was lower than which on December 31, 2016.

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

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the company during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Emerging Display Technologies Co., U.S.A. (EDTA)	Subsidiary
Emerging Display International (Samoa) Corp. (EDTS)	Subsidiary
EDT-Europe ApS (EDTE)	Subsidiary

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<u>Name of related party</u>	<u>Relationship with the Company</u>
Tremendous Explore Corp. (EDT-B.V.I)	Subsidiary
Emerging Display Technologies Korea (EDTK)	Subsidiary
EDT-Japan Corp. (EDTJ)	Subsidiary
Ying Dar Investment Development Corp. (Ying Dar Corp.)	Subsidiary
Bae Haw Investment Development Corp. (Bae Haw Corp.)	Subsidiary
Ying Cheng Investment Development Corp. (Ying Cheng Corp.)	Subsidiary
Dong Guan Emerging Display Limited (EDT-Dong Guan)	Sub-subsidiary

(b) Significant related party transactions

(i) Operating revenue

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

	<u>2017</u>	<u>2016</u>
Subsidiaries-EDTA	<u>\$ 1,187,060</u>	<u>1,371,463</u>

As of December 31, 2017 and 2016, the unrealized profit from sales to related parties amounted to \$12,338 and \$20,186, respectively, which were included in investments accounted for using equity method in the accompanying balance sheets.

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

(ii) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	Subsidiaries-EDTA	<u>\$ 352,080</u>	<u>304,585</u>

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(iii) Consigned for processing

The Company's sales of raw material (including the Company purchased on behalf of the related parties) and semi-finished products through EDT-B.V.I to EDT-Dong Guan were considered as contracted processing. The processing cost and material cost in 2017 and 2016 amounted to \$340,128 and \$360,022, respectively. As of December 31, 2017 and 2016, the payables resulting from the above transactions amounted to \$96,881 and \$106,250, respectively, and were included in accounts payable-related parties in the accompanying balance sheets.

(iv) Commission expense

The details of commission expense paid to subsidiaries for 2017 and 2016 were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Subsidiaries		
EDTE	\$ 48,415	47,433
EDTJ	8,824	11,804
Other subsidiaries	5,139	6,039
	<b><u>\$ 62,378</u></b>	<b><u>65,276</u></b>

As of December 31, 2017 and 2016, the details of commission expense paid to subsidiaries, included in accounts payable-related parties in accompanying balance sheets, were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Subsidiaries		
EDTE	\$ 3,332	3,675
EDTJ	623	524
EDTA	454	588
	<b><u>\$ 4,409</u></b>	<b><u>4,787</u></b>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 21,288	25,324
Post-employment benefits	490	578
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<b><u>\$ 21,778</u></b>	<b><u>25,902</u></b>

In 2017 and 2016, the Company provided six cars with carrying amount of \$12,800 and five cars, which were worth \$10,487, respectively, and another car with rental expense of \$905 per year for key management personnel use.

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**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bond investments without active market-current-time deposits	Guarantee for customs	\$ 1,521	1,014
Investment property	Guarantee for short-term borrowings	-	14,277
Bond investment without active market-current-time deposits	Guarantee for short-term borrowings	2,902	419,414
Property, plant and equipment-buildings	Guarantee for long-term borrowings	215,140	-
		<u>\$ 219,563</u>	<u>434,705</u>

**(9) Significant commitments and contingencies:**

(a) As of December 31, 2017 and 2016, the Company's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$21,797 and \$18,298, respectively.

(b) As of December 31, 2017 and 2016, the Company has signed contracts for the purchase of equipment. The unrecognized contingencies of those contracts amounted to \$11,384 and \$9,500, respectively.

**(10) Losses due to major disasters: none**

**(11) Subsequent events:**

(a) According to the amendments the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences on December 31, 2017, the deferred tax assets would increase by \$5,725.

(b) The Company's Board of Directors approved resolutions to repurchase 4,000 thousand shares of its shares as treasury shares from March to April on March 2, 2018. As of March 14, 2018, when financial statements were authorized for issuance by the Board of Directors, 1,486 thousand shares had been repurchased.

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**(12) Other:**

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

By item	2017			2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	307,419	94,330	401,749	333,227	107,489	440,716
Labor and health insurance	38,127	6,736	44,863	39,086	6,396	45,482
Pension	18,856	5,185	24,041	19,638	5,075	24,713
Others	24,657	4,472	29,129	25,590	4,422	30,012
Depreciation	76,940	3,593	80,533	96,948	4,061	101,009
Amortization	639	502	1,141	667	394	1,061

As of December 31, 2017 and 2016, the numbers of the Company's employees were 890 and 947, respectively.

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for 2017:

- (i) Loans to other parties: none
- (ii) Guarantees and endorsements for other parties: none
- (iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31, 2016				Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost-noncurrent	1,000,000	10,000	5.00%	-	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost-noncurrent	1,000,000	25,000	2.17%	-	-
The Company	Innolux Corp. stock	-	Available-for-sale financial assets-current	1,147,089	14,224	0.01%	14,224	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets-current	300,000	15,210	-	15,210	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets-current	250,000	17,675	0.05%	17,675	-
The Company	Taiwan Cement Co., Ltd. stock	-	Available-for-sale financial assets-current	300,000	10,935	0.01%	10,935	-

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Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31, 2016				Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets-current	474,600	19,245	0.03%	19,245	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets-current	216,000	15,552	0.01%	15,552	-
The Company	Mega Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets-current	555,000	13,348	-	13,348	-
The Company	Coasia Micoelectronic Corp. stock	-	Available-for-sale financial assets-current	441,508	6,622	0.32%	6,622	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets-current	480,000	13,632	0.78%	13,632	-
The Company	Edmond de Rothschild Europe Convertibles (B) USD	-	Available-for-sale financial assets-current	8,468.12	26,733	-	26,733	-
The Company	JPMorgan Asia Pacific Income Fud A (mth)	-	Available-for-sale financial assets-current	94,696.97	62,874	-	62,874	-
The Company	Fidelity Funds-Euro Balanced Fund-USD (hedge)	-	Available-for-sale financial assets-current	88,226.18	32,085	-	32,085	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx (A)	-	Available-for-sale financial assets-current	2,000,000	17,615	-	17,615	-
The Company	UBS (Luxembourg) High Yield Bond Fund-USD	-	Available-for-sale financial assets-current	3,700.00	31,283	-	31,283	-
The Company	BlackRock Global Funds - Emerging Markets Bond Fund A2-USD	-	Available-for-sale financial assets-current	56,561.09	30,753	-	30,753	-
The Company	Multiple Income Fund	-	Available-for-sale financial assets-current	11,490.71	62,671	-	62,671	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	Parent Company	Available-for-sale financial assets-current	550,000.00	15,620	0.90%	15,620	-
Ying Dar Investment Development Corp.	AGV Products Corp. stock	-	Available-for-sale financial assets-current	101,500	761	0.02%	761	-
Ying Dar Investment Development Corp.	The Company's stock	-	Available-for-sale financial assets-current	5,346,672	53,467	2.92%	53,467	-
Bae Haw Investment Development Corp.	Everest Technology Inc. Corp. stock	-	Financial assets carried at cost-noncurrent	1,000,000	-	1.47%	(Note)	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets-current	380,000	10,792	0.62%	10,792	-
Bae Haw Investment Development Corp.	The Company's stock	Parent Company	Financial assets carried at cost-noncurrent	3,447,716	34,477	1.88%	34,477	-
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost-noncurrent	6,000,000	150,000	13.03%	(Note)	-

(Note) Fair value cannot be estimated reliably.

- (iv) Individual securities acquired or disposed of with accumulated amount in excess of \$300 million or 20% of Group's issued share capital: none
- (v) Acquisition of individual real estate with amount in excess of \$300 million or 20% of the capital stock: none
- (vi) Disposal of individual real estate with amount in excess of \$300 million or 20% of the capital stock: none

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

(vii) Sales to and purchases from related parties in excess of \$100 million or 20% of the capital stock:

Purchasing (selling) company	Counterparty	Relationship	Details of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net Purchases (sales)	Credit line	Unit price	Payment terms	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Sale	1,187,060	40.45%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. were not significantly different from those offered to other customers.	Considering the special trading practices in North American market, the Company set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets.	352,080	57.59%	-
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	340,128	20.68%	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.	(96,881)	25.24%	-
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,187,060	100.00%	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.	(352,080)	100.00%	-
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	340,128	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.	96,881	100.00%	-
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary and sub-subsidiary of the Company, respectively	Purchase (processing cost)	342,550	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.	(65,241)	86.29%	-
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary and sub-subsidiary of the Company, respectively	Sale (processing revenue)	342,550	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.	65,241	100.00%	-

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

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

Name of company that has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Accounts receivable of \$352,080	3.62	-	-	168,030	-	-

(ix) Trading in derivative instruments:

The derivative financial instruments are intended to manage the market risk resulting from the fluctuations in the exchange rate in operating activities. Please refer to note 6(b).

(b) Information on investees:

The following is the information on investees for the year 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Business scope	Original cost of investment		Balance as of December 31, 2017			Net income (loss) of the investee	Investment income (loss) recognized	Remarks
				December 31, 2017	December 31, 2016	Shares owned	Percentage owned	Carrying value			
The Company	Emerging Display Technologies Corp., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	65,537 (Note 1)	377	(367)	Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	89,772	1,944	1,526	Subsidiary
The Company	EDT-Europe ApS	Denmark	Service	2,077	2,077	125,000	100.00%	1,720	224	224	Subsidiary
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(7,382)	(3,181)	(3,181)	Subsidiary
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,145	34	34	Subsidiary
The Company	EDT-Japan Corp.	Japan	Service	17,401	17,401	5,000	100.00%	2,855	(3,549)	(3,549)	Subsidiary
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	25,382	4,183	1,999 (Note 2)	Subsidiary
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	33,709	2,859	1,450 (Note 2)	Subsidiary
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	85,355	2,476	1,300	Subsidiary
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,748	1,944	115	Subsidiary
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,050	1,944	222	Subsidiary

Note 1: Unrealized sales profit amounting to \$12,338 was deducted.

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

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

(c) Information on investment in mainland China:

(i) Information on investment in Mainland China:

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January 1, 2017	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December 31, 2017	Net income of investee	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of December 31, 2017	Accumulated investment income repatriated to Taiwan as of December 31, 2017
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (USD\$7,625,300)	Investing through a third country by establishing a holding company, Emerging Display International (Samoa) Corp., in a third country.	219,225 (USD\$6,746,936) (Note 1)	-	-	219,225 (USD\$6,746,936)	1,834	95.80% (Note 2)	1,757 Based on the investee's financial statements audited by the same auditor of the Company (Note 3)	100,575 (Note 4)	-

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

(ii) Limitation on investment in Mainland China:

<b>Accumulated Investment in Mainland China as of December 31, 2017</b>	<b>Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs</b>	<b>Upper Limit on investment in Mainland China by Investment Commission of Ministry of Economic Affairs</b>
206,376 (Note 8) (USD\$6,934,668) (Note 5)	415,204 (Note 8) (USD\$13,951,732) (Note 6)	1,189,539 (Note 7)

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

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

Note 3 : The amount includes a gain of \$108 which was recognized by Ying Dar Investment Development Corp. and a gain of \$209 which was recognized by Bae Haw Investment Development Corp..

Note 4 : The amount includes \$6,194 which was invested by Ying Dar Investment Development Corp. and \$11,979 which was invested by Bae Haw Investment Development Corp.

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

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

Note 7 : The amount includes \$47,308 for Ying Dar Investment Development Corp. and \$40,912 for Bae Haw Investment Development Corp.

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

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the parent-company-only financial statements, are disclosed in "Information on significant transactions".

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2017.

**6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.**

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2017	2016	Difference	
				Amount	%
Current Assets		2,906,821	2,752,789	154,032	5.60%
Property, Plant and Equipment		391,411	459,027	(67,616)	-14.73%
Intangible Assets		3,540	3,868	(328)	-8.48%
Other Assets		233,351	238,164	(4,813)	-2.02%
<b>Total Assets</b>		<b>3,535,123</b>	<b>3,453,848</b>	<b>81,275</b>	<b>2.35%</b>
Current Liabilities		1,136,283	1,321,702	(185,419)	-14.03%
Long-term Liabilities		481,278	91,477	389,801	426.12%
<b>Total Liabilities</b>		<b>1,617,561</b>	<b>1,413,179</b>	<b>204,382</b>	<b>14.46%</b>
Equity Attributable to Shareholders of The Parent		1,835,532	1,960,302	(124,770)	-6.36%
Capital Stock		1,834,076	1,949,076	(115,000)	-5.90%
Capital Surplus		23,873	33,663	(9,790)	-29.08%
Retained Earnings		325,664	338,384	(12,720)	-3.76%
Other Equity Interest		(74,872)	(87,612)	12,740	14.54%
Treasury Stock		(273,209)	(273,209)	0	0.00%
Non-controlling Interest		82,030	80,367	1,663	2.07%
<b>Total Equity</b>		<b>1,917,562</b>	<b>2,040,669</b>	<b>(123,107)</b>	<b>-6.03%</b>

Analysis of changes in financial ratios:

A. The increase of noncurrent liabilities was mainly due to the drawdown of syndicated loan in 2017 to repay short-term borrowing and cover operation needs, thus caused long-term loan increased NT\$398,246 thousand than 2016.

- ◆ **Effect of changes on the company's financial condition:** The Company's financial condition has not changed significantly.
- ◆ **Future response actions:** Not applicable.

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2017	2016	Difference	
			Amount	%
Operating Revenue	3,005,136	3,178,919	(173,783)	-5.47%
Gross Profit	510,662	627,726	(117,064)	-18.65%
Operating Income	104,516	184,395	(79,879)	-43.32%
Non-operating Income and Expenses	(37,308)	31,589	(68,897)	-218.10%
Income Before Tax	67,208	215,984	(148,776)	-68.88%
Tax Expense	11,637	28,138	(16,501)	-58.64%
Net Income	55,571	187,846	(132,275)	-70.42%
Other Comprehensive Income (after tax)	16,137	5,387	10,750	199.55%
Total comprehensive income	71,708	193,233	(121,525)	-62.89%

Analysis of changes over 20% in financial ratios:

- A. The decrease of operating income, non-operating income and expenses, income before tax, net income, and total comprehensive income were due to unfavorable exchange rates, thus caused operating revenue decreased and foreign exchange loss increased NT\$83,796 thousand than 2016.
- B. The decrease of tax expense was due to income before tax decreased in 2017.
- C. The increase of other comprehensive income (after tax) was mainly due to remeasurements of defined benefit plans in 2017 increased NT\$9,044 thousand than 2016.

Unit: NT\$ thousands

Item \ Year	2017	2016	Change %
Gross Profit	510,662	627,726	-18.65%

Analysis of change:

The decrease of gross profit was mainly due to unfavorable exchange rates, thus caused operating revenue decreased.

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Net Cash Flow from Investing Activities (3)	Net Cash Flow from Financing Activities (4)	Effects of changes in foreign exchange rates (5)	Cash Surplus (Deficit) (1)+(2)+(3) +(4)+(5)	Leverage of Cash Deficit	
						Investment Plans	Financing Plans
744,653	(98,154)	462,739	50,057	(10,575)	1,148,720	—	—

- A. Operating Activities: Net cash outflow was mainly due to income before tax decreased, and the increase in accounts receivable and inventories.
- B. Investing Activities: Net cash inflow was mainly due to the decrease in investments in debt instrument without active market.
- C. Financing Activities: Net cash inflow was mainly due to the drawdown of syndicated loan to repay short-term borrowing.

### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item	Year		
	2017	2016	Change %
Cash Flow Ratio (%)	(8.64)%	30.35%	-128.47%
Cash Flow Adequacy Ratio (%)	321.24%	483.50%	-33.56%
Cash Reinvestment Ratio (%)	-	6.31%	-

Analysis of financial ratio change:

- A. Cash flow ratio was greatly lower due to income before tax in 2017 decreased NT\$148,776 thousand than 2016, and accounts receivable and inventories increased. It caused net cash flows from operating activities in 2017 to turn to outflows and increase significantly by 124.47% to NT\$499,325 thousand than 2016.
- B. Cash flow adequacy ratio decreased was due to cash outflows from operating activities in 2017 caused net cash flows from operating activities in the recent five years to decrease by 24.16% to NT\$436,583 thousand than 2016. Moreover, with cash dividend issued two years in a row, it caused an increase of NT\$66,434 thousand in recent five years, equaled to 115.62% compared with 2016.
- C. Cash reinvestment ratio decreased was due to cash outflows from operating activities in 2017.

### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,148,720	300,000	(258,000)	1,190,720	—	—

- A. Liquidity analysis: It is estimated that the Company will generate cash inflow from operating activities NT\$300,000 thousand in 2018. Further, it is estimated NT\$258,000 thousand net cash used in investing activities and financing activities, are primarily for repayment of borrowings for materials and working capital, buyback of treasury stock, payment for cash dividend, and so on. The balance of cash at the end of year is estimated to be NT\$1,190,720 thousand.
- B. Remedial actions for liquidity shortfall: Not Applicable.

## 7.4 Major Capital Expenditure Items

### 7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure							
				2015	2016	2017	2018	2019	2020	2021	2022
Machinery	Equity Fund	2015	51,530	51,530	-	-	-	-	-	-	-
Machinery	Equity Fund	2016	32,336	-	32,336	-	-	-	-	-	-
Machinery	Equity Fund	2017	33,338	-	-	33,338	-	-	-	-	-
Machinery	Equity Fund	2018Q2	50,000	-	-	-	50,000	-	-	-	-
Machinery	Equity Fund	2019Q2	50,000	-	-	-	-	50,000	-	-	-
Machinery	Equity Fund	2020Q2	50,000	-	-	-	-	-	50,000	-	-
Machinery	Equity Fund	2021Q2	50,000	-	-	-	-	-	-	50,000	-
Machinery	Equity Fund	2022Q2	50,000	-	-	-	-	-	-	-	50,000

### 7.4.2 Expected Benefits

#### A. Estimated Increase in Production, Sales, and Gross Profits

Unit: Thousand pcs / NT\$ thousands

Year	Item	Quantity of Production	Quantity of Sales	Amount of Sales	Gross Profit
2018	Capacitive Touch Panel	900	900	1,364,000	204,000
2019	Capacitive Touch Panel	1,000	1,000	1,576,000	252,000
2020	Capacitive Touch Panel	1,200	1,200	1,816,000	290,000
2021	Capacitive Touch Panel	1,300	1,300	2,088,000	376,000
2022	Capacitive Touch Panel	1,500	1,500	2,397,000	431,000

B. Other Benefits: None.

### 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company's investment strategy is mainly focus on vertical integration of flat display industry or related industry that is beneficial for the upgrade of technologies or management of production and sales. The Company will remain focus on the above said investment to upgrade production lines and enhance competitive advantages for the coming year.

The decrease of recent year's investment profit was due to the Company moved partial production lines from China to Taiwan and the capacity of Dong Guan factory was low.

The Company will remain focus on investment that is beneficial to technology development or evaluate if it is beneficial to our industry before investment for unrelated industry.

## **7.6 Analysis of Risk Management**

### **7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

#### **A. Interest rate**

The increase of interest rate will drive the higher capital cost, but its effect for short-term borrowing is smaller.

#### **B. Foreign exchange rates**

The sales of the Company's products are mainly export abroad and the critical materials such as liquid crystal, driver IC, LCD or backlight modules are denominated primarily in foreign currencies. The Company receives net foreign currencies when export abroad, therefore, any significant fluctuation in such exchange rate would have an effect on the Company's revenue and profit.

To avoid the foreign exchange volatility, the Company takes protection steps as follows:

- ◆ Asset offset with liabilities of foreign currency: Foreign currencies received from sales directly pay off the import materials to lower the exchange rate exposure.
- ◆ Utilize hedged derivative financial instruments: Utilize currency forward contracts or options to avoid foreign currency risk of assets and liabilities due to its fluctuation.
- ◆ Collect exchange rate information at any time to monitor the trend of exchange rate and decide the best timing to convert from foreign currency to NTD or retain in foreign currency account.
- ◆ Enhance quality and added value of products to adjust cost and price in time during foreign currency fluctuation.

### **7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee". Furthermore, derivative transactions follow the "Regulations Governing the Acquisition and Disposal of Assets".

### **7.6.3 Future Research & Development Projects and Corresponding Budget**

The Company plan on investing NT\$102,330 thousand into research and development in 2018. The development projects are as follows:

- ◆ High Sensitive PolyTouch Sensor (GGG×PolyTouch)
- ◆ LCM Backlight with Quantum Dots(QDs) Enhancement Film Technology Development
- ◆ Transparence Display with ECD (Electrochromic Device) Development
- ◆ Guest-Host(GH) LCD Device Development (Flexible Liquid-Crystal Display)
- ◆ Microchip maXTouch Solution Development
- ◆ Gesture Recognition Technology Development
- ◆ 3D Holographic Projection System with Touch-Gesture and Multi-view Functionality
- ◆ Embedded Display Product

#### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently pays close attention to any changes in local and foreign regulations and makes appropriate amendments to our systems such as Corporate Governance Practice Principles and Article of Corporation. During 2016 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

#### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The package technologies of flat panel display have been upgraded for the recent years. Further, the global individual business operation system and the application of flat panel displays keep expanding. This will encourage the Company to further develop the related business opportunities.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The Company has consistently maintained an ethical business philosophy and pay attention to corporate image and risk control. There is no foreseeable risk currently.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.**

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

The Company has layout detail capital, technologies, source of customers, talented persons and site planning for factory expansion and management to expand CTP production lines and develop total solutions for flat display technologies. In this way, the Company can not only keep the competitive advantage within this industry but also meet customer's demand.

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The change of quantities demand from customers will affect the operation, so the Company had improved the risk of sales concentration and continue to develop new customers. As to the material purchase, the Company acquire multiple sources of suppliers to minimize suppliers' risk.

#### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.**

#### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: Not applicable.**

#### **7.6.12 Litigation or Non-litigation Matters: None.**

#### **7.6.13 Other Major Risks: None.**

## **7.7 Other Important Matters**

### **7.7.1 Risk Management Structure**

Relative divisions are responsible for the management of risks according to the nature of operations. The Audit Office shall reassess the existing or potential risks of all operations and implement a risk-directed annual audit plan based on the assessments. Risk managerial divisions are as follows:

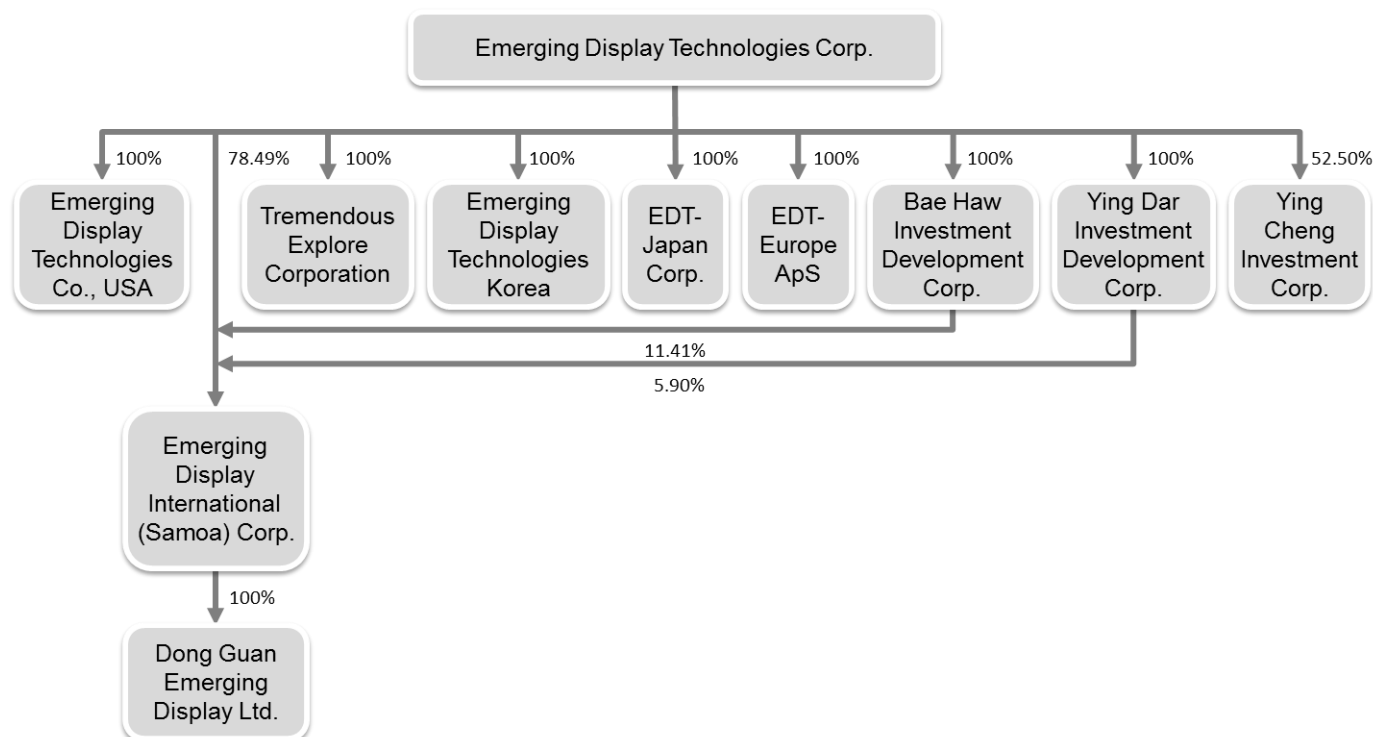
- A. Chairman, President & CEO and Chairman's Office: Responsible for business decisions and planning as well as the evaluation of mid-term and long-term investment returns to lower strategic risks.
- B. Audit Office: Responsible for the revision and implementation of the internal control system to strengthen the function of internal control and ensure the continuous effectiveness and achieve credibility of financial reports, effectiveness and efficiency of operations, and accordance with related laws and regulations.
- C. Finance: Responsible for financial allocation and implementation as well as establishment of hedging mechanisms to lower financial risks.
- D. Global Business Development: Responsible for marketing strategies, product promotion, and grasp of market trends to lower business operational risks.
- E. Management Information System: Responsible for the planning, establishment, operation, and maintenance of systems, continuous measurement of system quality as well as information safety control and protection provision to lower the risks of information safety and operation.
- F. Administration: Responsible for sets up complete employee management system and follow related labor laws and regulations to lower the risks in outflow of talent.
- G. Legal consultant: Responsible for legal risk management as well as accordance to government supervision policies and the handling of contracts and lawsuit disputes to lower legal risks.
- H. Procurement: Responsible for the enquiry, comparison, bargaining of purchase prices of materials and assets to lower the risks of cost overrun.
- I. Quality Assurance: Responsible for quality assurance and verification as well as ensuring the level of quality to minimize negative images caused by abnormal quality.
- J. Production Control: Responsible for overall production and processing schedule planning and resources planning management as well as ensuring that the production schedule meets the client delivery schedule to reduce delays of shipment.
- K. Industrial Safety & Business Planning: Responsible for supervise and control in environment, safety, and sanitary to lower and prevent the risks in employee injure and accident.
- L. LCD Module Research & Development, LCD Panel Research & Development: Responsible for the design, development and introduction of new technologies and products as well as ensuring the continuous development, and improvement of technology to lower the risks of product not meeting client needs and not keeping up with the latest trends.
- M. Manufacturing: Responsible for maintenance of the production equipments and effectively eliminate adverse factors in the production process to control yield and lower the risks in abnormal production quality.

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Consolidated Business Report of Affiliated Companies

##### A. Organization structure



##### B. The profile of affiliated companies:

Company Name	Date of Incorporation	Address	Paid-in Capital (NT\$ thousands)	Main Areas of Business Operations
Emerging Display Technologies Co., USA	Sep. 23, 1994	16811 Hale Ave., Suite D, Irvine, CA 92606, U.S.A.	116,731	Sales channel of North America
Emerging Display International (Samoa) Corp.	Feb. 7, 2000	Offshore Chambers, PO Box 217, Apia, Samoa	248,063	Investment holding
Dong Guan Emerging Display Ltd.	Aug 11, 2000	E2 Junda Industrial Park, Dong Keng Town Dong Guan City, Guang Dong, China	248,516	Manufacturing of CTP and LCDs
Tremendous Explore Corporation	Oct. 20, 2000	P.O.Box 3152, Road Town, Tortola British Virgin Islands	—	Trading channel
EDT-Europe ApS	Oct. 26, 2000	Raadhustorvet 3 3520 Farum, Denmark	451	Sales channel of Pan-Europe
Bae Haw Investment Development Corp.	Jun. 6, 2001	No.38, Sinkang St., Fongshan Dist., Kaohsiung City, Taiwan	89,000	Investment
Ying Dar Investment Development Corp.	Jun. 7, 2001	No.38, Sinkang St., Fongshan Dist., Kaohsiung City, Taiwan	89,000	Investment
Emerging Display Technologies Korea	Jun. 11, 2004	A-1111, Pyungchon Acro Tower, 1591, Gwanyang-Dong, Dongan-Ku, Anyang-Si, Kyunggi-Do, Korea	1,677	Sales channel of Korea
EDT-Japan Corp.	Sep. 10, 2012	2-21-41 Takanawa Minatoku Tokyo, Japan108-0074 Takanawa No.1 Building	17,401	Sales channel of Japan
Ying Cheng Investment Corp.	Jul. 23, 2013	No.38, Sinkang St., Fongshan Dist., Kaohsiung City, Taiwan	160,000	Investment

C. The particulars for companies presumed to have a relationship of control and subordination where the shareholders in common: Not applicable.

D. The industries covered by the business operated by the affiliated companies overall: Refer to “The Profile of Affiliated Companies”.

E. Directors, Supervisors and General Manager of Affiliated Companies:

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Emerging Display Technologies Co., USA	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	3,500,000	100%
Emerging Display International (Samoa) Corp.	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	5,984,071	78.49%
Dong Guan Emerging Display Ltd.	Director	Emerging Display International (Samoa) Corp. Representative: Tseng, Jui-Ming	—	100%
Tremendous Explore Corporation	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	50,000	100%
EDT-Europe ApS	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	125,000	100%
Bae Haw Investment Development Corp.	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	8,900,000	100%
Ying Dar Investment Development Corp.	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	8,900,000	100%
Emerging Display Technologies Korea	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	58,212,500	100%
EDT-Japan Corp.	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	5,000	100%
Ying Cheng Investment Corp.	Director	Emerging Display Technologies Corp. Representative: Tseng, Jui-Ming	8,400,000	52.50%

### 8.1.2 Financial Statement of Affiliated Companies

Unit: NT\$ thousand

Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Income (Loss) From Operations	Net Income (Loss)	Earnings per Share (NT\$)
Emerging Display Technologies Co., USA	116,731	438,078	360,385	77,693	1,261,262	359	377	0.11
Emerging Display International (Samoa) Corp.	248,063	146,552	32,179	114,373	342,550	24,394	1,944	0.25
Dong Guan Emerging Display Ltd.	248,516	137,164	32,179	104,985	342,550	10,262	1,834	—
Tremendous Explore Corp.	—	69,189	76,571	(7,382)	340,128	(5,079)	(3,181)	—
EDT-Europe ApS	451	10,778	9,058	1,720	48,633	983	224	1.79
Bae Haw Investment Development Corp.	89,000	68,293	106	68,187	0	(114)	2,859	0.32
Ying Dar Investment Development Corp.	89,000	78,898	50	78,848	0	(124)	4,183	0.47
Emerging Display Technologies Korea	1,677	1,145	0	1,145	4,053	34	34	—
EDT-Japan Corp.	17,401	3,665	810	2,855	8,937	(3,610)	(3,549)	(709.8)
Ying Cheng Investment Corp.	160,000	162,762	181	162,581	2,457	2,343	2,476	0.29

**8.1.3 Loans Extended to Other Parties, Guarantees Provided to Other Parties and Derivative Financial Instrument Transactions of Affiliated Companies: None.**

**8.2 Private Placement Securities in the Most Recent Years: None.**

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**

Unit: NT\$ thousands

Name of Subsidiary	Paid-in Capital	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Ying Dar Investment Development Corp.	\$89,000	Capital Increase by Cash	100%	–	–	–	–	5,346,672 shares \$65,183	–	–	–
				As of Apr. 28, 2017	–	–	–	5,346,672 shares \$65,183	–	–	–
Bae Haw Investment Development Corp.	\$89,000	Capital Increase by Cash	100%	–	–	–	–	3,447,716 shares \$45,210	–	–	–
				As of Apr. 28, 2017	–	–	–	3,447,716 shares \$45,210	–	–	–

**8.4 Other Matters That Require Additional Description: None.**

**IX. The situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.**