



EMERGING
DISPLAY
TECHNOLOGIES
CORP.

Stock Code: 3038

Emerging Display Technologies Corp. Annual Report 2019

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 24, 2020

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Overseas Securities Exchange

Not Applicable.

Corporate Website

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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 2019 and outlook for the future are as following:

2019 Business Report

1. Operating Performance

The consolidated net operating revenue in 2019 totaled NT\$4,107,559 thousand has a great increase of 45.72% over NT\$2,818,735 thousand in 2018 due to the growing sales of smart home appliances. Also, overall gross profit was increased due to the effects of proportional increase in product portfolio combining Capacitive Touch Panel (CTP) and Thin Film Transistor Liquid Crystal Display (TFT-LCD). Therefore, the consolidated net income was greatly increased by 129.17% and earnings per share reached NT\$1.73 which was the top in the past 14 years.

LCD modules make up around 40% of total sales. Because of increased demand from individual clients, Capacitive Touch Panel (CTP) and modules make up around 60% 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.

Combining CTP and TFT-LCD were generally called "Touch Display" which had the diverse development of touch function and will be deepened 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 has become the mainstream for interactive information display system. 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 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

	2019	2018
Operating profit	314,590	60,968
Non-operating income and expenses	(10,690)	65,661
Profit before tax	303,900	126,629
Net profit	257,047	112,163
Return on assets	7.63%	3.52%
Return on shareholders' equity	13.66%	6.02%
Pre-tax income to paid-in capital	18.71%	7.26%
Profit ratio	6.25%	3.98%
Earnings per share (NT\$)	1.73	0.71

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 2019 are as following:

Item	R&D Results	Description of Benefits
1	3D Curved Touch Panel with Display Technology Development	Finish 10.1" demo box of 3D curved touch display to meet customers' demand for high-end products featuring, such as wearable devices and automobile dashboards applications.
2	Capacitive Touch Integrated with EMR(Electro Magnetic Resonance) Pen Technology	Finish the prototype development of capacitive and electromagnetic pen dual-mode touch display which is a mixed-sensor integration able to seamlessly and accurately switch between pen and finger input. It mainly applies to electronic signature pads, medical instruments, professional graphics tablets or tablets for education.
3	Smart Window with Gesture Recognition Technology Development	Successfully developed "3D gesture smart energy-saving electronic window device" has won 2019 Smart Innovation Application Award. This device can isolate radiant energy and improve the defect of Low-Emissivity (Low-E) glasses that can not be adjusted light transmittance by users according to the weather. Due to built-in 3D gesture recognition and embedded systems, this device can be controlled by hand or bluetooth remote control, even through the mobile app.
4	Anti-Shatter and Anti-UV Touch Display Development	It is designed not only to prevent the shattering of glass type touch display, but also to prevent the deterioration of touch display by absorbing UV ray. It can satisfy the safety demand in automotive, nautical, flight or outdoor applications.

5	Microchip maXTouch Solution Development	Finish the first version firmware adjustment of three modules and send samples to customers for evaluation.
6	2D Touch+3D Gesture Recognition Technology Development	In addition to the 2D touch function, it also supports non-contact 3D gesture recognition and basic gesture recognition such as horizontal move, vertical move, and rotation (forward and reverse). Moreover, it can track gesture coordinates through the spatial coordinate algorithm design developed by us.
7	Development of Water Tolerance Capacitive Touch Module	There is no need to turn off the capacitance sensing function to perform one-finger coordinate reporting with liquid interference. Moreover, there is no problem of misreporting the coordinate.
8	Value Line Embedded Product	Finish eight types of products on the STM32F746 and STM32F750 platforms, which are 4.3", 5" and 7" TFT-LCD.
9	Embedded with PoE	Finish five types of products on the STM32H750 platforms, which are 7" and 10.1" 1024*600 resolution TFT-LCD.
10	Embedded with Wireless	Design an expansion module for the STM32F750 and STM32H750 platforms, including BLE with SD card, which can be used for ten products.
11	Intellectual Property Rights (include Patents and Trade Secret)	Number of intellectual property right proposals totaled 22, which include 11 patent proposals and 11 trade secret proposals. Number of intellectual property rights granted totaled 7 (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\$130,120 thousand into research and development in 2020. 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:

- ◆ Capacitive Touch Integrated with EMR(Electro Magnetic Resonance) Pen Technology
- ◆ Embedded Product Platform
- ◆ Boot Loader Online Firmware Updates
- ◆ Development Board
- ◆ CTP Water Tolerance Improvement with AI
- ◆ Microchip maXTouch Solution Development
- ◆ Digital Transformation Development for Collaborative Robot(Cobot/Co-robot) Application
- ◆ 2D Touch Display Module + AI Edge Computing + MCU/MPU + 3D Gesture Recognition Technology Development
- ◆ 2D Touch Display Module + AI Edge Computing + MCU/MPU + Simple Audio Recognition Technology Development
- ◆ 2D Touch Display Module + AI Edge Computing + MCU/MPU + Sensor Fusion Recognition Technology (3D Gesture + Simple Audio) Development

Summary of Business Plan for 2020

1. Business objectives

- (1) Develop new technologies and products to expand market.
 - ① Develop technology of black and white color panel effect.
 - ② Optimize optical bonding process.
- (2) Develop innovative business model for touch display solution.
 - ① Develop smart embedded solution.
 - ② Enhance the service ability of software / firmware.
- (3) Digitalize production information and construct intelligent factory.
 - ① Lean manufacturing process to lower human factors.
 - ② Immediate digitalization of production management.
- (4) Enhance efficacy of research and development.
 - ① Develop human machine somatosensory technology.
 - ② Establish the development ability of machine learning technology.

2. Expected sales numbers and its basis

- (1) Expected sales numbers for 2020:
 - ① LCD modules 2,900 thousand units
 - ② CTP and modules 1,600 thousand units
- (2) Basis for expected sales numbers of 2020:
 - ① With the emerging trend of various pan-intelligent products, applications for internet of things, smart home, 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 / surface treatment / free form cutting technology of related touch sensors and display panels.
- (2) Actively develop new high value-added products and markets, such as large size products and small and medium size displays with embedded systems, and combined with optical bonding, water tolerance, antibacterial touch, 3D gesture control and so on.
- (3) Both business model of low-volume high-mix and high-volume low-mix has pros and cons. Under the principle of 50/50, **edt** will adopt the sales strategy with most appropriate percentage of above two business models according to supply chain and new technology appliance.

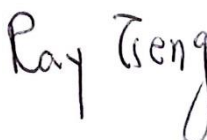
Future Development Strategies

1. Focus on the innovative technology development of Capacitive Touch Panel (CTP) and continuous proportional increase of niche type Capacitive Touch Panel product structure.
2. Enhance differentiation design ability of TFT-LCD module, actively seek out sales orders for TFT, and satisfy the different customized needs of clients.
3. Continuously enhance design development of pan-industrial control and medical 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 develop futuristic product technology such as 3D gesture, water tolerance touch and intelligent algorithm, so as to seize prior opportunity into high margin markets.
5. Improve the localized and immediate 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. In response to trade war, we will effectively readjust and reallocate production line in each area to lower tariff influence to zero.
3. Due to COVID-19, global consumers' demand slowdown and further, the oversupply of LCD panels will cause external environment more competitive. **edt** will keep expand customized and high value-added products to overcome it.
4. 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.
5. Over 90% of total operating revenue of **edt** is export in 2019. 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.

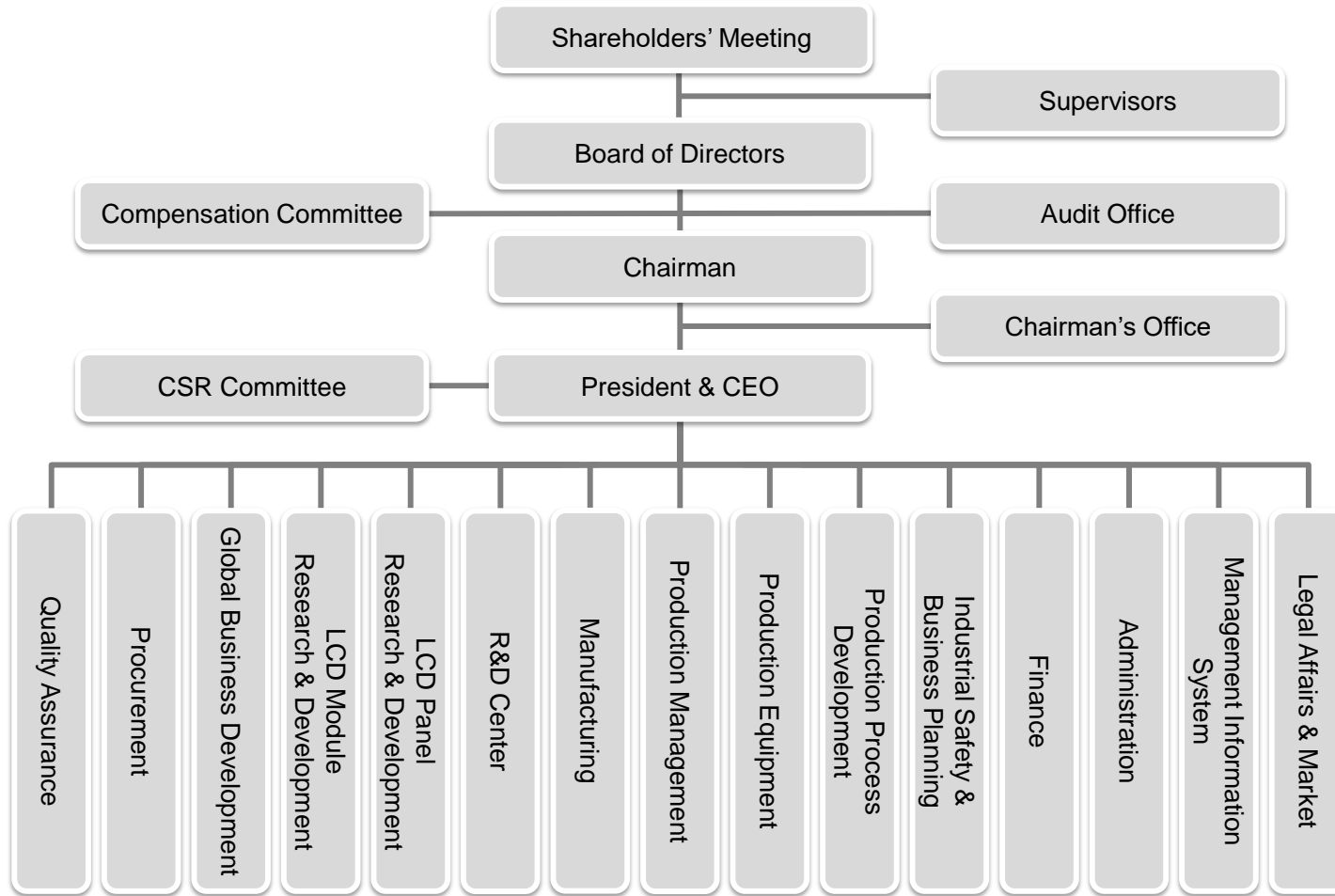
2.2 Company history:

Year	Milestones
1994	<ul style="list-style-type: none"> Invested USD250,000 for the merger and acquisition of US distributor EMERGING DISPLAY TECHNOLOGIES CORP., leading to 100% shareholdings ownership of the subsidiary.
1996	<ul style="list-style-type: none"> Achieved ISO 9002 Quality Certification.
1997	<ul style="list-style-type: none"> Achieved ISO 9001 Quality Certification.
1999	<ul style="list-style-type: none"> Achieved QS 9000 Quality Certification, the first LCD manufacturer in Taiwan to obtain such status.
2001	<ul style="list-style-type: none"> Company stock listed TPEX.
2002	<ul style="list-style-type: none"> Converge from TPEX listed company to TWSE listed company.
2003	<ul style="list-style-type: none"> Corporate headquarters moved to No.5, Central 1st Road, K.E.P.Z. Kaohsiung.
2005	<ul style="list-style-type: none"> Manufacturing headquarters moved to No.5, South 3rd Road, K.E.P.Z. Kaohsiung. First stage expansion of China Dong Guan factory completed.
2006	<ul style="list-style-type: none"> Achieved TS16949 Quality Certification.
2012	<ul style="list-style-type: none"> Achieved OHSAS 18001 Quality Certification. Full lamination optical bonding manufacturing process of Thin Film Transistor Liquid Crystal Display (TFT) and Capacitive Touch Panel (CTP) modules development completed. Extended cooperation with current major e-book clients to develop CTP for their full range of tablet products.
2013	<ul style="list-style-type: none"> Co-development of Touch On Lens (TOL) technology with a major Japanese glass manufacturer and expansion into the automotive market. Mass production of TFT and CTP full lamination, shipments totaled 100,000 pieces for one month.
2014	<ul style="list-style-type: none"> Import of laser etching dry process to manufacture Film Sensor. Development of embedded touch technology application for manufacturing process to strengthen the application competitiveness of future products.
2015	<ul style="list-style-type: none"> 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). 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.
2016	<ul style="list-style-type: none"> 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. Obtained AVN touch module design of international brands, improving the market visibility for the capability of supplying on-vehicle products.
2017	<ul style="list-style-type: none"> Successfully developed the renowned white goods case, implemented automatic equipment of optical bonding assemble, and further elevated and expanded the customized service. Successfully obtained the cases of hardware and software embedded design in netcom phone brand to expand the appliance in the Embedded Display market.
2018	<ul style="list-style-type: none"> Participated the partnership with the tier one IC supplier for UI software to enhance the software capability and service support to Embedded products. Succeeded to get the electric car charging station project, which edt achieves to provide high value added Embedded product including the display with touch, assembly, and software design.
2019	<ul style="list-style-type: none"> Dual-touch design for car dashboard application moved to mass production successfully, way to penetrate the high-end automobile display/touch market. Won 2019 Smart Innovation Application Award by integration of "floating touch" and "smart window" energy saving technology through hand gesture or blue-tooth remote control design. Established regional sales branch in Frankfurt of Germany, aim to expand and raise the pan European market share.

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:** Corporate governance affairs, 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, and decisions, as well as 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, assets and miscellaneous goods, 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 products for module.
- **LCD Panel Research & Development:** Design and development of new products for panel.
- **R&D Center:** Design and development of new technologies and embedded products.
- **Manufacturing:** Manufacturing of various products.
- **Production Management:** Overall production and processing schedule planning, resources planning management, and warehouse management.

- **Production Equipment:** Evaluating / planning / examining production equipments.
- **Production Process Development:** Introducing the mass production, setting and improving the production process, developing and introducing new process.
- **Industrial Safety & Business Planning:** Industrial safety and hygiene, waste disposal, and regular maintenance of environmental and electronic facilities.
- **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, and on-the-job training.
- **Management Information System:** Provision of software and hardware equipment as well as support and backup of relevant system.
- **Legal Affairs & Market:** Domestic and foreign regulation compliance, contract review, IPRs management, litigation, as well as collection and analysis of industry information.

3.2 Directors, supervisors and management team

3.2.1 Directors and supervisors

As of April 13, 2020

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			Remarks (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Tseng, Jui-Ming	Male	Jun. 12, 2018	3	Sep. 14, 1994	11,043,723	6.02%	11,043,723	6.80%	256,759	0.16%	0	0.00%	MBA, Cheng Shiu University, Taiwan / Hitachi / Sharp	None	Director Supervisor	Hsieh, Hui-Tai Tseng, Shu-Ling	In-law Siblings	None
Director	R.O.C.	Hsieh, Hui-Tai	Female	Jun. 12, 2018	3	Jun. 8, 2006	6,486,867	3.53%	6,486,867	3.99%	623,281	0.38%	0	0.00%	San Sin High School, Taiwan / Director of Jen Da Transportation	None	Chairman	Tseng, Jui-Ming	In-law	None
Director	R.O.C.	Huang, Mao-Hsiung	Male	Jun. 12, 2018	3	Jun. 12, 2018	1,674,536	0.91%	1,674,536	1.03%	0	0.00%	0	0.00%	EMBA, National Sun Yat-sen University, Taiwan / Hitachi	Executive Vice President of the Company	None	None	None	None
Director	R.O.C.	Ying Dar Investment Development Corp.	None	Jun. 12, 2018	3	Jun. 8, 2006	5,346,672	2.91%	5,346,672	3.29%	0	0.00%	0	0.00%	None	None	None	None	None	None
Representative of Director	R.O.C.	Ying Dar: Wang, Tai-Kuang	Male	Jun. 12, 2018	3	Jun. 8, 2006	1,626,487	0.89%	1,666,487	1.03%	1,802,813	1.11%	0	0.00%	Master, NCU of Physics and Astronomy, Taiwan / Solomon Technologies Corp.	President & CEO of the Company	Supervisor	Lin, Yu-Fen	Spouse	None
Director	R.O.C.	Bae Haw Investment Development Corp.	None	Jun. 12, 2018	3	Jun. 8, 2006	3,447,716	1.87%	3,447,716	2.12%	0	0.00%	0	0.00%	None	None	None	None	None	None
Representative of Director	R.O.C.	Bae Haw: Hsieh, Wen-Hsiung	Male	Jun. 12, 2018	3	May 2, 2013	261,253	0.14%	261,253	0.16%	0	0.00%	0	0.00%	Bachelor, Accounting, Feng Chia University, Taiwan / Yuanta Securities Corp.	Vice President & Chairman's Special Assistant & Corporate Governance Officer of the Company	None	None	None	None
Independent Director	R.O.C.	Li, Chi-Cheng	Male	Jun. 12, 2018	3	Jun. 2, 2015	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D, MBA, National Cheng Kung University, Taiwan / Professor of Cheng Shiu University	Representative of supervisor of Yung Chi Paint & Varnish Mfg. Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Huang, Fu-Di	Male	Jun. 12, 2018	3	Jun. 2, 2015	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor, Statistics, Feng Chia University, Taiwan / KPMG	Representative of supervisor of Taiwan Fushing Industry Corp.	None	None	None	None
Supervisor	R.O.C.	Lin, Yu-Fen	Female	Jun. 12, 2018	3	May 23, 2000	1,702,047	0.92%	1,802,813	1.11%	1,666,487	1.03%	0	0.00%	Master, Industrial Economics, NCU, Taiwan / Hotung Investment Co. Ltd.	None	President & CEO	Wang, Tai-Kuang	Spouse	None
Supervisor	R.O.C.	Tseng, Shu-Ling	Female	Jun. 12, 2018	3	May 27, 2004	1,621,209	0.88%	1,581,209	0.97%	1,553	0.00%	0	0.00%	Bachelor, Insurance, Ming Chuan University, Taiwan	None	Chairman	Tseng, Jui-Ming	Siblings	None
Supervisor	R.O.C.	Ting, Hung-Hsun	Male	Jun. 12, 2018	3	Jun. 12, 2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor, Accounting, Chinese Culture University, Taiwan / Baker Tilly Clock & CO	Partnership Accountant of Baker Tilly Clock & CO / Independent Director of ShunSin Technology Holdings Limited & CyberTAN Technology, Inc. & ICARES Medicus, Inc. / Director of CEN LINK Co., Ltd.	None	None	None	None

Note 1: Huang, Mao-Hsiung did not serve as Director during June 10, 2009 to June 11, 2018.

Note 2: Tseng, Shu-Ling did not serve as Supervisor during June 12, 2001 to May 26, 2004.

Note 3: Ting, Hung-Hsun did not serve as Supervisor during June 2, 2015 to June 11, 2018.

Note 4: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

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%)

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
		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	1	2	3	4	5	6	7	8	9	10	11	12	
Tseng, Jui-Ming				✓						✓	✓	✓	✓		✓	✓	0
Hsieh, Hui-Tai				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Mao-Hsiung				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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
Ting, Hung-Hsun			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

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.

- Not an employee of the Company nor any of its related companies.
- Not a director or supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- 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 issued shares of the Company or ranking as one of the top-10 shareholders.
- Not a spouse, relative within the second-degree of kinship, or lineal relative within the third degree of kinship, of any of the persons specified in the preceding three notes.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or that ranks among the top-5 in shareholding or the representatives served as directors or supervisors appointed in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (It does not apply in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- Not a director, supervisor or employees of other companies controlled by the same person had shares over half of the Company's director seats or voting rights. (It does not apply in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- Not a director, supervisor or employees of other companies or institutions whom or his/her spouse is also the chairman, general manager or employee of equivalent position in the Company. (It does not apply in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).

8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company. (This does not apply, in the cases where a specific company or institution held more than 20% of the total issued shares of the Company, but less than 50%, and also served as an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
9. Not a professional individual, sole proprietor, partner, owner of a company or institution, director, supervisor, manager or a spouse thereof of a sole proprietorship, partnership, company, or institution providing auditing or services including commercial, legal, financial, accounting or consultation services to the Company or its related companies with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply, in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performed their functions in accordance with the relevant laws of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
10. Not a spouse or a relative within the second degree of kinship to any other director of the Company.
11. Not having any of the conditions defined in Article 30 of the Company Law.
12. Not a governmental or judicial person, or a representative of such institutions as defined in Article 27 of the Company Law.

3.2.2 Management team

As of April 13, 2020

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			Remarks (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President & CEO	R.O.C.	Wang, Tai-Kuang	Male	Mar. 10, 2004	1,666,487	1.03%	1,802,813	1.11%	0	0.00%	Master, Physics and astronomy, NCU Taiwan / Solomon Technologies Corp.	None	None	None	None	None
Executive Vice President	R.O.C.	Huang, Mao-Hsiung	Male	Mar. 1, 2003	1,674,536	1.03%	0	0.00%	0	0.00%	EMBA, National Sun Yat-sen University, Taiwan / Hitachi	None	None	None	None	None
Vice President	R.O.C.	Yu, Cheng-Chung	Male	Mar. 1, 2014	1,002,000	0.62%	0	0.00%	0	0.00%	Bachelor, International business, CYCU, Taiwan / Grand Pacific Optoelectronics Corp.	None	None	None	None	None
Vice President & Chairman's Special Assistant & Corporate Governance Officer	R.O.C.	Hsieh, Wen-Hsiung	Male	Mar. 8, 2017	261,253	0.16%	0	0.00%	0	0.00%	Bachelor, Accounting, Feng Chia University, Taiwan / Yuanta Securities Corp.	None	None	None	None	None
Vice President	R.O.C.	Kao, Neng-Sen	Male	Mar. 1, 2018	43,459	0.03%	0	0.00%	0	0.00%	Master, Material science and engineering, I-Shou University, Taiwan / Yu-Chun Corp.	None	None	None	None	None
Financial Officer	R.O.C.	Huang, Hsiu-Wen	Female	Mar. 8, 2017	220,862	0.14%	17,404	0.01%	0	0.00%	MBA, CUNY, Baruch College, USA / Yuanta Securities Corp.	None	None	None	None	None
Accounting Officer	R.O.C.	Kuo, Kun-He	Male	Mar. 8, 2017	20,000	0.01%	0	0.00%	0	0.00%	Bachelor, Accounting, Tunghai University, Taiwan / Gallant Ocean International Inc.	None	None	None	None	None

Note: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

3.3 Remuneration paid to directors, supervisors, the general manager, and assistant general managers

3.3.1 Remuneration of directors and independent 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 (%)		Receiving Compensation from an Invested Company Other Than the Company's Subsidiary or from the Company's Parent	
		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				
Director	Chairman	Tseng, Jui-Ming																					
	-	Hsieh, Hui-Tai																					
	-	Huang, Mao-Hsiung																					
	-	Ying Dar Investment Development Corp.																					
	Representative of Ying Dar Investment Development Corp.	Wang, Tai-Kuang	4,492	4,492	None	None	4,326	4,326	200	200	3.50%	3.50%	9,165	9,165	264	264	488	None	488	None	7.36%	7.36%	None
	-	Bae Haw Investment Development Corp.																					
	Representative of Bae Haw Investment Development Corp.	Hsieh, Wen-Hsiung																					
Independent Director	-	Li, Chi-Cheng	None	None	None	None	2,196	2,196	80	80	0.88%	0.88%	None	None	None	None	None	None	None	None	0.88%	0.88%	None
	-	Huang, Fu-Di																					

1. Please describe the policies, systems, standards and structure of independent directors' remuneration, and explain the relevance with the amount of remuneration based on their responsibilities, risks, and time investment: By Article 16 of Articles of Incorporation, the remuneration of independent directors is referred to the level of the related public companies, the Company's operation status, their value of contribution, and performance evaluations of the Board. Their remunerations are reviewed by Compensation Committee, then submitted to the Board of Directors for approval.

2. 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 (e.g. acting as a non-employee consultant, etc.): 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
Below NT\$ 1,000,000	Wang, Tai-Kuang / Hsieh, Wen-Hsiung	Wang, Tai-Kuang / Hsieh, Wen-Hsiung	None	None
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Hsieh, Hui-Tai / Huang, Mao-Hsiung / Ying Dar Investment Development Corp. / Bae Haw Investment Development Corp. / Li, Chi-Cheng / Huang, Fu-Di	Hsieh, Hui-Tai / Huang, Mao-Hsiung / Ying Dar Investment Development Corp. / Bae Haw Investment Development Corp. / Li, Chi-Cheng / Huang, Fu-Di	Hsieh, Hui-Tai / Ying Dar Investment Development Corp. / Bae Haw Investment Development Corp. / Li, Chi-Cheng / Huang, Fu-Di	Hsieh, Hui-Tai / Ying Dar Investment Development Corp. / Bae Haw Investment Development Corp. / Li, Chi-Cheng / Huang, Fu-Di
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	None	None	Hsieh, Wen-Hsiung	Hsieh, Wen-Hsiung
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Tseng, Jui-Ming	Tseng, Jui-Ming	Tseng, Jui-Ming / Huang, Mao-Hsiung / Wang, Tai-Kuang	Tseng, Jui-Ming / Huang, Mao-Hsiung / Wang, Tai-Kuang
NT\$5,000,001 (inclusive) ~ NT\$10,000,000 (exclusive)	None	None	None	None
NT\$10,000,001 (inclusive) ~ NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,001 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,001 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,001 (inclusive) ~ NT\$100,000,000 (exclusive)	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 (%)		Receiving Compensation from an Invested Company Other Than the Company's Subsidiary or from the Company's Parent
		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	3,295	3,295	120	120	1.33%	1.33%	None
Supervisor	Tseng, Shu-Ling									
Supervisor	Ting, Hung-Hsun									

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Below NT\$ 1,000,000	None	None
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Lin, Yu-Fen / Tseng, Shu-Ling / Ting, Hung-Hsun	Lin, Yu-Fen / Tseng, Shu-Ling / Ting, Hung-Hsun
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	None	None
NT\$5,000,001 (inclusive) ~ NT\$10,000,000 (exclusive)	None	None
NT\$10,000,001 (inclusive) ~ NT\$15,000,000 (exclusive)	None	None
NT\$15,000,001 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None
NT\$30,000,001 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None
NT\$50,000,001 (inclusive) ~ NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	3	3

3.3.3 Remuneration of the general manager, and assistant general managers

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 (%)		Receiving Compensation from an Invested Company Other Than the Company's Subsidiary or from the Company's Parent
		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	13,300	13,300	513	513	3,685	3,685	1,123	None	1,123	None	7.24%	7.24%	None
Vice President	Lin, Ho-Hsing (Note)													
Executive Vice President	Huang, Mao-Hsiung													
Vice President	Yu, Cheng-Chung													
Vice President & Chairman's Special Assistant & Corporate Governance Officer	Hsieh, Wen-Hsiung													
Vice President	Kao, Neng-Sen													

Note: Transferred to the Consultant on January 1, 2020, then resigned on February 20, 2020.

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Below NT\$ 1,000,000	None	None
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Lin, Ho-Hsing / Huang, Mao-Hsiung / Hsieh, Wen-Hsiung / Kao, Neng-Sen	Lin, Ho-Hsing / Huang, Mao-Hsiung / Hsieh, Wen-Hsiung / Kao, Neng-Sen
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Wang, Tai-Kuang / Yu, Cheng-Chung	Wang, Tai-Kuang / Yu, Cheng-Chung
NT\$5,000,001 (inclusive) ~ NT\$10,000,000 (exclusive)	None	None
NT\$10,000,001 (inclusive) ~ NT\$15,000,000 (exclusive)	None	None
NT\$15,000,001 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None
NT\$30,000,001 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None
NT\$50,000,001 (inclusive) ~ NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	6	6

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	1,708	1,708	0.66%
	Executive Vice President	Huang, Mao-Hsiung				
	Vice President	Yu, Cheng-Chung				
	Vice President & Chairman's Special Assistant & Corporate Governance Officer	Hsieh, Wen-Hsiung				
	Vice President	Kao, Neng-Sen				
	Financial Officer	Huang, Hsiu-Wen				
	Accounting Officer	Kuo, Kun-He				

3.3.4 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

	Year 2019	Year 2018	The policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure
Ratio of total remuneration paid to directors, supervisors, general managers, and assistant general managers to net income (%)	12.95%	21.78%	The remuneration of directors and supervisors was approved by the Board of Directors based on the 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. This ratio became lower due to 2019 net income was greatly increased by 129.91% than 2018, even total remuneration was increased by 36.76%.

3.3 Implementation of corporate governance

3.4.1 Board of Directors

A total of 6 (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	6	0	100%	Re-elected on June 12, 2018
Director	Hsieh, Hui-Tai	5	0	83%	Re-elected on June 12, 2018
Director	Huang, Mao-Hsiung	6	0	100%	Newly elected on June 12, 2018
Director	Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang	6	0	100%	Re-elected on June 12, 2018
Director	Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	6	0	100%	Re-elected on June 12, 2018
Independent Director	Li, Chi-Cheng	6	0	100%	Re-elected on June 12, 2018
Independent Director	Huang, Fu-Di	6	0	100%	Re-elected on June 12, 2018
Supervisor	Lin, Yu-Fen	5	0	83%	Re-elected on June 12, 2018
Supervisor	Tseng, Shu-Ling	1	0	17%	Re-elected on June 12, 2018
Supervisor	Ting, Hung-Hsun	5	0	83%	Newly elected on June 12, 2018

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, 2019 6 th of 9 th session	• To discuss the amendment of internal control system, version 17, and internal audit system and rules, version 6.	✓	
	• To discuss the amendment of "Regulations Governing the Acquisition and Disposal of Assets".	✓	
	• To discuss remuneration adjustments of 2019 for the Chairman and managerial employees.	✓	
	• The Company plan to make a loan of US\$1,450,000 to Emerging Display Technologies Corp., U.S.A..	✓	
Independent directors' opinions: None. The company's responses: None. Resolution: All motions were passed unchanged by all directors present excluding those directors avoiding of motions in conflict of interest on above 3 rd motion.			
May 8, 2019 7 th of 9 th session	• To appoint the Corporate Governance Officer.	✓	
	• To discuss the amendment of "Rules of Procedure for Board of Directors Meetings".	✓	
Independent directors' opinions: None. The company's responses: None. Resolution: All motions were passed unchanged by all directors present excluding those directors avoiding of motions in conflict of interest on above 1 st motion.			
November 5, 2019 9 th of 9 th session	• To discuss and review of all remunerations of 2020 for directors, supervisors, and managerial personnel.	✓	
	• To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2019.	✓	
Independent directors' opinions: None. The company's responses: None. Resolution: All motions were passed unchanged by all directors present excluding those directors avoiding of motions in conflict of interest.			
December 17, 2019 10 th of 9 th session	• To discuss the amendments of "Rules for Making of Endorsements/ Guarantees" and "Procedures for Loaning Funds to Others".	✓	
	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
March 8, 2019 6 th of 9 th session	To discuss remuneration adjustments of 2019 for the Chairman and managerial employees.	Tseng, Jui-Ming / Huang, Mao-Hsiung / 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 managers 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.
May 8, 2019 7 th of 9 th session	To appoint the Corporate Governance Officer.	Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	Because the mentioned person served as the Corporate Governance Officer to be appointed, he should be avoidance in accordance with the "Rules of Procedure for Board of Directors Meetings".	This motion was approved by the remaining directors.
November 5, 2019 9 th of 9 th session	<ul style="list-style-type: none"> ◆ To discuss and review of all remunerations of 2020 for directors, supervisors, and managerial personnel. ◆ To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2019. 	Tseng, Jui-Ming / Huang, Mao-Hsiung / 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 managers 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. The evaluation cycle and period, evaluation scope, method and evaluation content and other information of the self (or peer) evaluation of the Board of Directors:

Cycle	Period	Evaluation scope	Evaluation method	Evaluation content
Once a year	January 1, 2019 ~ December 31, 2019	Overall Board	Internal evaluation of the Board	<ul style="list-style-type: none"> ◆ Participation in the operation of the company ◆ Improvement of the quality of the board of directors' decision making ◆ Composition and structure of the board of directors ◆ Election and continuing education of the directors ◆ Internal control
		Each director	Self-evaluation by each director	<ul style="list-style-type: none"> ◆ Alignment of the goals and missions of the company ◆ Awareness of the duties of a director ◆ Participation in the operation of the company ◆ Management of internal relationship and communication ◆ The director's professionalism and continuing education ◆ Internal control
		Compensation Committee	Self-evaluation by each member of the Compensation Committee	<ul style="list-style-type: none"> ◆ Participation in the operation of the company ◆ Awareness of the duties of the functional committee ◆ Improvement of quality of decisions made by the functional committee ◆ Makeup of the compensation committee and election of its members ◆ Internal control

4. 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 12, 2018. 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 and the Company’s 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 6 (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	5	83%	Re-elected on June 12, 2018
Supervisor	Tseng, Shu-Ling	1	17%	Re-elected on June 12, 2018
Supervisor	Ting, Hung-Hsun	5	83%	Newly elected on June 12, 2018

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 2019 was as follows:

Communicator	Date	Communication ways	Communication points	Results of communication
Chief internal auditor	January 8, 2019	Board of directors	◆ Internal audit report.	No comment
	March 8, 2019	Board of directors	◆ 2018 Q4 internal audit report. ◆ Implementation report of ethical corporate management.	No comment
	May 8, 2019	Board of directors	◆ 2019 Q1 internal audit report.	No comment
	August 6, 2019	Board of directors	◆ 2019 Q2 internal audit report.	No comment
	November 5, 2019	Board of directors	◆ 2019 Q3 internal audit report.	No comment
	December 17, 2019	Board of directors	◆ Internal audit report. ◆ Management report of information security risk.	No comment
	December 17, 2019	Forum	◆ Making and implementation method of internal audit plan for 2020.	No comment
CPA	March 8, 2019	Forum	◆ Responsibilities of auditing financial statements, audit scope, audit findings, and independence declaration of auditors. ◆ Important revision of laws and regulations.	No comment
	December 21, 2019	E-mail	◆ Audit plan. ◆ Important revision of laws and regulations.	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:

The dates of the meetings and sessions	Contents of motion and the company's responses
May 8, 2019 7 th of 9 th session	Contents of motion: To discuss the amendment of "Rules of Procedure for Board of Directors Meetings". Supervisor's opinions: Propose to revise the "days" to "working days" stated in procedure 4 and 20 in accordance with the Company's operational condition. The Company's response: Agree to revise. Resolution: Passed revised version by all directors present.

3.4.3 The state of the Company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Evaluation Item	Implementation Status			Variance from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the reason
	Yes	No	Abstract Explanation	
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			Variance from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
<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 management objective, achievement of objective and implementation of this policy are 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 the Compensation Committee and is planning on establishing the 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>
<p>(3) Whether the company formulates the regulations and method for the performance evaluation of the board of directors, conducts performance evaluation regularly every year, reports the results of the performance evaluation to the board of directors, and takes it as a reference for the remuneration, nomination and re-appointment of each director?</p>	✓		<p>“Evaluation Regulations of the Board’s Performance” were implemented after the approval of the Board on November 8, 2017, and made revisions continuously. Regulation stated that evaluation of the Board’s performance shall be completed before the end of the first quarter of the following year, including the overall Board performance, each director and Compensation Committee. Evaluation method includes self-evaluation of the Board, each director/member of Compensation Committee.</p>	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>The deliberative unit of Board of Directors is responsible for the performance evaluation which was conducted by questionnaire survey. First, the deliberative unit collects information related to Board of Directors and conducts an overall evaluation, then each director/member of Compensation Committee would make a self-evaluation. The result of performance evaluation will also be a criterion for review and improvement of directors/members of Compensation Committee, and a reference for remuneration, nomination and re-appointment. 2019 evaluation of the Board’s performance was completed in the beginning of 2020, and its result was proposed at the Board meeting on March 10, 2020. The measurement items and evaluation result are listed in Note 2 and disclosed on the Company’s website.</p> <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 CPAs annually through questionnaires to ensure the Company and its subsidiaries or affiliated companies have no conflicting interests with CPAs. 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 Su, Yen-Ta, CPAs for year 2019 and 2020, have achieved the Company’s standards of the independence after evaluation. The evaluation result (as Note 3) and “confirmation of independence” provided by CPAs were submitted to and passed by the board meeting held on March 8, 2019 and March 10, 2020.</p>	None.

Evaluation Item	Implementation Status			Variance from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the reason
	Yes	No	Abstract Explanation	
4. Whether TWSE/TPEX listed companies have deployed appropriate numbers of suitable corporate governance personnel, and designated corporate governance directors responsible for corporate governance-related matters (including but not limited to providing directors, supervisors with information required to perform business, assisting directors, supervisors in complying with laws, handled matters related to of the board meetings and shareholders' meeting on the basis of the laws, prepared the minutes of the board of directors and shareholders' meetings, etc.)?	✓		<p>The Company appointed Hsieh, Wen-Hsiung, Vice President & Chairman's Special Assistant, as the "Corporate Governance Officer" and approved by the Board of Directors on May 8, 2019 to protect the rights of shareholders and enhance the function of the Board of Directors. Another corporate governance personnel was not deployed yet. That officer was with a minimum of three year experience in financial management in a public company, and has participated in appropriate educational training courses to comply with the stipulations of the regulations (as Note 5). The main responsibilities of "Corporate Governance Officer" are as below:</p> <p>A. Handling matters relating to board meetings and shareholders' meetings according to laws.</p> <p>B. Producing minutes of board meetings and shareholders' meetings.</p> <p>C. Furnishing information required for business execution by directors and supervisors.</p> <p>D. Assisting in onboarding and continuous development of directors and supervisors.</p> <p>E. Assisting directors and supervisors with legal compliance.</p> <p>The corporate governance operation status of year 2019 was listed below and proposed at the Board meeting on March 10, 2020:</p> <p>A. Assisting directors and supervisors for business execution, furnishing information required by them, and assisting them for continuous education.</p> <ul style="list-style-type: none"> • Irregularly revising the internal procedures in accordance with the latest corporate governance-related laws and regulations and furnishing those to directors and supervisors as references when they took office. • Furnishing information required for business execution by directors and supervisors. Keeping a smooth communication channel between directors, supervisors and the Company's staff. 	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
			<ul style="list-style-type: none"> • Arranging communication forums with independent directors, supervisors, chief internal auditor and CPAs. (Communication status is disclosed on the Company’s website and “3.4.2 Audit Committee or attendance of Supervisors at Board Meetings” in this report.) • Furnishing education information to directors and supervisors. <p>B. Handling matters relating to board meetings and shareholders’ meetings.</p> <ul style="list-style-type: none"> • Confirming the convention of board meetings and shareholders’ meetings in accordance with related laws and Corporate Governance Practice Principles. • Planning the agenda for a Board meeting and send notice to directors and supervisors seven days before the meeting. Conducting the meeting and provide meeting data. Sending notice ahead on proposal items with conflicts of interest and completing the meeting minutes with twenty days after the meeting. • Preparing the meeting notice, handbook, and meeting minutes of shareholders’ meeting before the deadline. • Reporting corporate governance operation status to directors and supervisors. <p>C. Performance evaluation of the Board for year 2019.</p> <p>D. Noticing the Board members immediately after releasing important message to make sure the Board members were informed immediately of the Company’s important message.</p> <p>E. Purchasing the “Directors & Supervisors Liability Insurance” for directors and supervisors.</p> <p>F. Assisting directors and supervisors with legal compliance by irregularly sending related laws and regulations.</p>	

Evaluation Item	Implementation Status			Variance from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and the reason
	Yes	No	Abstract Explanation	
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, and submitted the communication status with stakeholders to the board meeting periodically. The recent report to the board meeting was on December 17, 2019, and its details was in Note 4. 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. Also prepare the corporation social responsibility report on the Company's website of reference for the stakeholders yearly.	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?	✓		The Company has established a website where information on financial operations and corporate governance is disclosed timely.	None.
(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 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.

Evaluation Item	Implementation Status			Variance from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
(3) Whether the company announced and reported the annual financial report within two months after the end of the fiscal year, and announced and reported the first, second and third quarter financial reports and operation of each month in advance before the prescribed period?		✓	The Company did not announce and report the annual financial report within two months after the end of the fiscal year, but already announced and reported the first, second and third quarter financial reports and operation of each month in advance before the prescribed period.	Not in accordance with Article 55 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies due to the complicated process of preparing annual consolidated financial report. The Company will continuously improve it.
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 stakeholders and investors.</p> <p>C. Suitable educational courses are selected by directors, supervisors, and managerial personnel (including corporate governance officer) according to their time and professional background. Status of continuing education in recent years is listed in Note 5.</p> <p>D. 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, 2020. The details of liability insurance has been submitted to the board meeting held on March 10, 2020.</p>	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
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.	
The English annual financial statements is uploaded to the MOPS seven days before the shareholders' meeting.	The English annual financial statements is not uploaded to the MOPS seven days before the shareholders' meeting.		It plans to implement according to the indicator in 2020.	

Note 1: There are total of seven directors in the 9th Board of Directors of the Company. Among them, directors (including their representatives) with employees accounted for 43%, independent directors accounted for 29%, and female directors accounted for 14%. The directors are all in the prime and having comprehensive experience in the field of manufacturing , operation management. The Company emphasizes the strength of corporate governance. Thus the company will gradually raise up the proportion of independent directors with a goal accounting for more than 40%. It was estimated that the Company will add one independent director in the 10th Board of Directors to achieve the goal. The implementation of the diversified policy for the composition of members of the Board of Directors is listed as below:

Core items of diversified policy Name of director	Basic composition					Industry experience / professional skills			
	Nationality	Gender	Age	Seniority of independent director	As employees concurrently	Manufacturing	Operation management	Finance and accounting	Securities and insurance
Tseng, Jui-Ming	R.O.C.	Male	50~60			✓	✓		
Hsieh, Hui-Tai	R.O.C.	Female						✓	
Huang, Mao-Hsiung	R.O.C.	Male			✓	✓	✓		
Ying Dar Investment Development Corp. Representative: Wang, Tai-Kuang	R.O.C.	Male			✓	✓	✓		
Bae Haw Investment Development Corp. Representative: Hsieh, Wen-Hsiung	R.O.C.	Male			✓			✓	✓
Li, Chi-Cheng	R.O.C.	Male			5~6 years			✓	
Huang, Fu-Di	R.O.C.	Male			5~6 years				✓

Note 2: The measurement items and evaluation result of the Board's performance in year 2019 are listed as below:

Evaluation scope	Measurement items	Evaluation result	Items to be improved	Improvement plan or actions
Overall Board	<ul style="list-style-type: none"> Participation in the operation of the company Improvement of the quality of the board of directors' decision making Composition and structure of the board of directors Election and continuing education of the directors Internal control 	The achieving rate is 96%. It still looks good.	<ul style="list-style-type: none"> Increase the frequency of board meeting Increase the number of training hours for directors 	<p>The improvement actions are as follows which have already been adopted by the Board of Directors and is now in full operation since 2020:</p> <ul style="list-style-type: none"> Increase the frequency of board meeting <ul style="list-style-type: none"> The board meeting shall be held at least 6 times a year, which is higher than the statutory frequency required. Directors may communicate with company management and other board members at any time via telephone or e-mail outside of the board of directors meeting time to provide a good channel for information exchange. The Corporate Governance Officer shall be responsible for handling the directors' demands to ensure that the needs of the board members are met immediately. Increase the number of training hours for directors <ul style="list-style-type: none"> It is expected to actively provide the appropriate education and training information to the board members each quarter in order to strengthen prior notice and planning for education and training, and increase directors' willingness and training hours. Evaluate whether to hire external lecturers to teach in the Company and facilitate education and training participation by the board members.
Each director	<ul style="list-style-type: none"> Alignment of the goals and missions of the company Awareness of the duties of a director Participation in the operation of the company Management of internal relationship and communication The director's professionalism and continuing education Internal control 	The achieving rate is 94%. It still looks good.		

Evaluation scope	Measurement items	Evaluation result	Items to be improved	Improvement plan or actions
Compensation Committee	<ul style="list-style-type: none"> ◆ Participation in the operation of the company ◆ Awareness of the duties of the functional committee ◆ Improvement of quality of decisions made by the functional committee ◆ Makeup of the compensation committee and election of its members ◆ Internal control 	The achieving rate is 97%. It looks great.	None.	None.

Note 3: The key items of the CPA's independence assessment standards are listed as below:

Assessment item	Assessment result	Comply with independence or not
The CPA has rotated regularly (generally not more than 7 years per term) for at least a certain period (generally not less than 2 years) before returning.	Yes	Yes
The CPA has no spousal, direct kinship, direct in-law, or relative relationship of second degree or closer with the responsible persons or managers of the Company.	Yes	Yes
The CPA or his/her spouse or minor children have no investment, financial benefit sharing, or financial loan relationship with the Company.	Yes	Yes
The CPA has completed all financial statement audits for the Company on schedule.	Yes	Yes
The CPA has provided financial and tax consultation services for the Company irregularly.	Yes	Yes
The CPA has handled no accounts on behalf of the Company.	Yes	Yes
The CPA is not currently employed by the Company to handle regular affairs, not receiving a fixed salary, and not serving as a director or supervisor.	Yes	Yes
The CPA has not served as a director, supervisor, manager, or as a staff member who has a significant influence on the financial statement audit cases; and has resigned for less than two years.	Yes	Yes
The CPA is not involved in major decisions of the Company.	Yes	Yes
The Company has not threatened to file legal proceedings against the CPA.	Yes	Yes
The Company has not threatened to revoke appointment for non-audit cases or force the CPA firm to accept an inappropriate accounting policy for a specific transaction.	Yes	Yes
The Company has not threatened to terminate the appointment or renewal for audit cases.	Yes	Yes
The Company has not exerted pressure on the CPA to improperly reduce the audit work that should have been performed in order to lower professional fees.	Yes	Yes
The Company's personnel have not oppressed the auditors with professional attitudes to force them to accept a matter under dispute.	Yes	Yes
The Company has obtained the "confirmation of independence" issued by the CPA every year.	Yes	Yes

Note 4: The major issues that concerned the stakeholders, main communication channels and response method are listed as below:

Stakeholders	Major issues	Main communication channels, response method and frequency	Communication with the stakeholders in year 2019
Employee	<ul style="list-style-type: none"> • Economy performance • Market image • Supplier's environment evaluation • Raw materials • Energy management • Compliance of environmental regulations • Greenhouse gas emission • Waste water and waste • Employer-employee relations • Industrial relations • Work health and safety • Diversified and equality • Training and education 	<ul style="list-style-type: none"> • Convene employee welfare committee (irregularly) • Hold labor-management meeting (quarterly) • Convene occupational safety and health committee (quarterly) • Announce on the Company's internal and external website (irregularly) • Convene catering service committee (2~3 months) • Compile corporate social responsibility report (yearly) • Contact person: Administration Dept.—Ms. Lo (E-mail: may@edt.com.tw) 	<ul style="list-style-type: none"> • 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 17 people participated. • Subsidize employees to participate in the "Kaohsiung Happiness and Healthy Walk" event due to promotion of employee health. A total of 44 people participated. • Hold three leisure travel activities for employees, a total of 280 people participated.

Stakeholders	Major issues	Main communication channels, response method and frequency	Communication with the stakeholders in year 2019
Customer	<ul style="list-style-type: none"> • Economy performance • Market image • Anti-corruption • Purchasing practice • Supplier's environment evaluation • Raw materials • Energy management • Conflict minerals • Greenhouse gas emission • Water resource management • Employer-employee relations • Industrial relations • Work health and safety • Diversified and equality • Customer privacy • Customer health and safety • Compliance of regulations of social economy • Marketing and labeling • Training and education • Child labour 	<ul style="list-style-type: none"> • Conduct the Customer Satisfaction Survey (yearly) • Communicate via e-mail, conference, and audit (irregularly) • Announce on the Company's external website (irregularly) • Compile corporate social responsibility report (yearly) • Contact person: Global Business Development Division—Mr. Wu (E-mail: service@edt.com.tw) 	<ul style="list-style-type: none"> • Participate "The Society for Information Display (SID)" in America, "Vehicle Display Detroit", "Embedded World", and "Taipei International Digital Electronics Show" to communicate with customers face to face. • Customer satisfaction acceptance index reaches 4.03 (full mark is 5).
Supplier	<ul style="list-style-type: none"> • Economy performance • Market image • Indirect economic impact • Supplier's environment evaluation • Water resource management • Compliance of environmental regulations • Employer-employee relations • Industrial relations • Forced or compulsory labour • Diversified and equality • Human rights evaluation • Non-discrimination • Work health and safety 	<ul style="list-style-type: none"> • Conduct supplier evaluation and on-site audit (irregularly) • Announce on the Company's external website (irregularly) • Compile corporate social responsibility report (yearly) • Contact person: Procurement Division—Mr. Chen (E-mail: chencc@edt.com.tw) 	<ul style="list-style-type: none"> • Total 228 suppliers has signed "edt Supplier Quality and Transportation Agreement", which contains responsibility of society and environment, and compliance of laws and regulations requested by the Company. All main suppliers has signed this agreement.
Government	<ul style="list-style-type: none"> • Economy performance • Compliance of environmental regulations • Waste water and waste • Energy management • Employer-employee relations • Industrial relations • Work health and safety 	<ul style="list-style-type: none"> • Feedback related data for government's request (irregularly) • Audit the compliance of regulations • Participate related union / association (irregularly) • Compile corporate social responsibility report (yearly) • Contact person: Administration Dept.—Mr. Tan (E-mail: thomas@edt.com.tw) 	<ul style="list-style-type: none"> • Participate in the forums held by the competent authority, including the Prevention of Insider-Trading Conference, the TWSE(Taiwan Stock Exchange) Corporate Governance Conference, the Labor Standards Act Institute, etc. • Irregularly cooperate with the TWSE to check the routine requirements according to laws and regulations. • Irregularly meet the request of the TWSE to fill in various online questionnaire.
Stockholder / Investor	<ul style="list-style-type: none"> • Economy performance • Market image • Energy management • Employer-employee relations • Industrial relations • Work health and safety 	<ul style="list-style-type: none"> • Hold stockholders' meeting and investor conference (yearly) • Set up hotline and e-mail of spokesperson (irregularly) • Announce on the Market Observation Post System (irregularly) • Announce on the Company's external website (irregularly) • Compile corporate social responsibility report (yearly) • Contact person: Spokesperson—Mr. Hsieh (E-mail: frank@edt.com.tw), deputy spokesperson—Mr. Kuo (E-mail: ryankuo@edt.com.tw), and stock affairs—Ms. Liu (E-mail: molly@edt.com.tw) 	<ul style="list-style-type: none"> • Total 34 announcements of material information in Chinese and English. • Hold an investor conference. • Receive over 25 analysts from domestic institution.
Community resident	<ul style="list-style-type: none"> • Economy performance • Market image • Energy management • Waste water and waste • Employer-employee relations • Industrial relations • Diversified and equality • Work health and safety 	<ul style="list-style-type: none"> • Communicate via telephone (irregularly) • Announce on the Company's external website (irregularly) • Compile corporate social responsibility report (yearly) • Contact person: Administration Dept.—Mr. Tan (E-mail: thomas@edt.com.tw) 	<ul style="list-style-type: none"> • Assist 39 junior students from an university in factory visiting. • A blood donation event and a charitable event on Moon Festival Holiday were held. There were total 116 employees participated and 250 thousand dollars donated.

Note 5: Continuing education of directors, supervisors, and managerial personnel (including Corporate Governance Officer):

Title	Name	Time of education	Sponsoring Organization	Name of Course	Hours
Independent Director	Li, Chi-Cheng	May 10, 2019	Securities and Futures Institute	Propaganda for preventing insider trading	3
		Jul. 26, 2019	Securities and Futures Institute	Propaganda for law compliance of insider stock trading	3
Independent Director	Huang, Fu-Di	Jul. 26, 2019	Securities and Futures Institute	Propaganda for law compliance of insider stock trading	3
		Nov. 19, 2019	Taiwan Stock Exchange	Propaganda for effectively playing the role of directors	3
Representative of Director / Vice President & Chairman's Special Assistant / Corporate Governance Officer	Hsieh, Wen-Hsiung	Jul. 26, 2019	Securities and Futures Institute	Propaganda for law compliance of insider stock trading	3
		Nov. 22, 2019	Internal Audit Institute	Strengthen three defense functions and the analysis for the board of directors operating mechanism (including the whistleblowing mechanism)	6
		Mar. 4, 2020	Internal Audit Institute	Operation activities with the risk of unethical conduct and case study	6
Supervisor	Ting, Hung-Hsun	Mar. 29, 2019	CPA Associations	Taiwanese merchant funding repatriation related tax laws	3
		Jul. 31, 2019	Securities and Futures Institute	Propaganda for law compliance of insider stock trading	3
		Aug. 2, 2019	CPA Associations	Analysis of the latest business tax interpretations	3
		Aug. 27, 2019	CPA Associations	The related tax issue of real estate	3
		Sep. 16, 2019	CPA Associations	Risk orientated audit	3
		Nov. 13, 2019	Securities and Futures Institute	Future global industry blockchain application trends	3
		Nov. 29, 2019	CPA Associations	The latest Q&A of EAS	3
Accounting Officer	Kuo, Kun-He	Jun. 28, 2019	Accounting Research and Development Foundation	Frequently answered questions and case study of IFRS 16: Lease	3
		Sep. 27, 2019	Accounting Research and Development Foundation	Employee reward system practices related to the latest "Company Act" revisions	3
		Dec. 23, 2019	Accounting Research and Development Foundation	Corporate governance practices: "Comprehensive Enterprise Value Management" trends and practice analysis	3
		Dec. 24, 2019	Accounting Research and Development Foundation	Explore the legal liability of "employee fraud" and fraud identification practices	3

3.4.4 Composition, responsibilities and operations of the Compensation Committee

A. Professional qualifications and independence analysis of Compensation Committee members

Position (Note 1)	Criteria	Meets one of the following professional qualification requirements, together with at least five years' work experience	Independence criteria (Note 2)										Number of other public companies in which the individual is concurrently serving as an Compensation Committee member	Remarks	
			1	2	3	4	5	6	7	8	9	10			
Independent Director	Li, Chi-Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Other	Hung, Kuang-Te		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Huang, Fu-Di		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Please fill in "Director", "Independent Director" or "Other" in the "Position" section.

Note 2: 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 nor any of its related companies.
- Not a director or supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
- 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 issued shares of the Company or ranking as one of the top-10 shareholders.
- Not a spouse, relative within the second-degree of kinship, or lineal relative within the third degree of kinship, of any of the persons specified in the preceding three notes.

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the Company or that ranks among the top-5 in shareholding or the representatives served as directors or supervisors appointed in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (It does not apply in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
6. Not a director, supervisor or employees of other companies controlled by the same person had shares over half of the Company's director seats or voting rights. (It does not apply in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
7. Not a director, supervisor or employees of other companies or institutions whom or his/her spouse is also the chairman, general manager or employee of equivalent position in the Company. (It does not apply in cases where the person is also an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has financial or business relations with the Company. (This does not apply, in the cases where a specific company or institution held more than 20% of the total issued shares of the Company, but less than 50%, and also served as an independent director of the Company or its parent company, subsidiary or the subsidiaries of the same parent company are set up according to this Act or local country ordinances).
9. Not a professional individual, sole proprietor, partner, owner of a company or institution, director, supervisor, manager or a spouse thereof of a sole proprietorship, partnership, company, or institution providing auditing or services including commercial, legal, financial, accounting or consultation services to the Company or its related companies with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply, in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performed their functions in accordance with the relevant laws of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
10. Not having any of the 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. The term of office is from June 12, 2018 to June 11, 2021. 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 29, 2018
Committee Member	Hung, Kuang-Te	2	0	67%	Re-elected on June 29, 2018
Committee Member	Huang, Fu-Di	3	0	100%	Re-elected on June 29, 2018

Other mentionable items:

1. If the Board of Directors declines to adopt or modifies a recommendation of the Compensation 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 Compensation Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Compensation 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. The contents of motion, resolutions, and the Company's responses to Compensation Committee were listed as below:

The dates of the meetings and sessions	Contents of motion	Resolutions	The Company's responses
March 8, 2019 3 th of 4 th session	♦ To discuss the distribution of 2018 employees' compensation and remuneration for directors and supervisors.	Passed unchanged by all members present.	Submitted to the Board meeting and passed unchanged by all directors present.
	♦ To discuss remuneration adjustments of 2019 for the Chairman and managerial employees.	Passed unchanged by all members present.	Submitted to the Board meeting and passed unchanged by all directors present excluding 4 directors avoiding of motions in conflict of interest.
August 6, 2019 4 th of 4 th session	♦ To discuss the distribution details of 2018 employees' compensation and remuneration for directors and supervisors.	Passed unchanged by all members present.	Submitted to the Board meeting and passed unchanged by all directors present.
November 5, 2019 5 th of 4 th session	♦ To review of all remunerations of 2020 for directors, supervisors, and managerial personnel.	Passed unchanged by all members present.	Submitted to the Board meeting and passed unchanged by all directors present excluding 4 directors avoiding of motions in conflict of interest.
	♦ To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2019.	Passed unchanged by all members present.	Submitted to the Board meeting and passed unchanged by all directors present excluding 4 directors avoiding of motions in conflict of interest.

3.4.5 The state of the Company's performance of social responsibilities, any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Evaluation Item	Implementation Status			Variance from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reason
	Yes	No	Abstract Explanation	
1. Whether the company have conducted risk assessments of environmental, social and corporate governance issues related to its operations in accordance with the materiality principles, and formulated relevant risk management policies or strategies?	✓		The Company has conducted risk assessments of important issues in accordance with the materiality principles, and formulated relevant risk management policies as Note 1.	None.
2. 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 & CEO, in which the executive committee is composed of one person respectively assigned by Finance Dept., Administration Dept., Industrial Safety & 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 March 10, 2020. 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. (2018 CSR report has been completed and disclosed on the Company's website, and 2019 CSR report is expected to be done in the 3rd quarter of 2020.)</p>	None.

Evaluation Item	Implementation Status			Variance from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reason
	Yes	No	Abstract Explanation	
3. Issues of Environment				
(1) 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 4, 2005, then certified by the ISO 14001 2015 revision on 2017 (validity period is from November 4, 2017 to November 4, 2020). Includes RoHS cleaner production in IECQ QC080000 system on 2006, so it can set up goals for sustainable environment and review regularly.	None.
(2) 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. The Company has also introduced energy-saving equipment in the office, used LED lighting fixtures with power-saving marks, and specified upper temperature limits for air-conditioning equipment. In addition, recycling bins with classification of recyclable materials have been placed and internal propaganda on recycling conducted.	None.
(3) Whether the company have assessed the current and future potential risks and opportunities of climate change to the company, and adopted measures to respond to climate-related issues?	✓		The Company has assessed the potential present and future climate change related risks and opportunities from three aspects: the policy and regulations, market trends, and climate disaster, then took measures to cope with the climate-related issues. The Company has disclosed them in the "3.5 Risk Management System" section of 2018 Corporate Social Responsibility Report.	None.
(4) Whether the company counted the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and whether the company formulated policies on energy saving and carbon reduction, reduction of greenhouse gas and water consumption or other waste management?	✓		The Company has counted the gas emissions of greenhouse, water consumption and total weight of waste in the past two years, and disclosed them in the "7.3 Greenhouse gas and energy management", "7.4 Water resource management" and "7.6 Waste management" section of 2018 Corporate Social Responsibility Report. The relevant management policies and implementation results are summarized as follows: A. Energy saving and carbon reduction, reduction of greenhouse gas: In the past three years, the average annual carbon reduction rate was 2.55%. The target had been set at 2% or higher for 2019, which has already been met. Specific measures	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
			<p>include replacements using energy-saving air-conditioning equipment, down-regulating the exhaust windmill frequency converter hertz (Hz), renewing the pure water system membrane tubes, replacing air pressure pipelines with new ones, and replacing the capacitors of high-voltage substation switchboards. In 2019, the total electricity consumption was 19,871 kilowatts. After implementing the measures above, the energy saving was 449 kilowatts (or 2.21%). However, since the production capacity in 2019 increased by approximately 30% compared to that of 2018, the total electricity consumption for 2019 was higher than that of 2018 by 2,096 kilowatts. The total carbon emission in 2019 was 12,200 tons. After implementing the measures above, carbon emission was reduced by 275 tons (or 2.20%), but the total carbon emission for 2019 increased by 1,285 tons compared to that of 2018 due to the same reasons stated above. Using 2019 as the benchmark, the Company has set the target to reach the average annual energy conservation and average annual carbon reduction rate of over 2.5% by 2024 (with the average annual carbon reduction rate increase of 0.5%).</p> <p>B. Water consumption: In the past three years, the average annual water conservation rate was 0.80%. The target was set at 0.35% or higher for 2019, which has already been met. The specific measures comprised pure water system membrane tube renewal. In 2019, the total water consumption was 280,617 degrees. After implementing the measures above, the water conservation was 1,055 degrees (or 0.37%). However, since the production capacity in 2019 increased by approximately 30% compared to that of 2018, the total water consumption for 2019 was higher than that of 2018 by 68,139 degrees. Using 2019 as the benchmark, the Company has set the target to reach the average annual water conservation rate of over 0.4% by 2024 (with the average annual water conservation rate increase of 0.05%).</p>	

Evaluation Item	Implementation Status			Variance from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
			<p>C. Waste reduction: In 2019, each standard working hour produced 0.31 kg of waste, and the target was set at under 0.45 kg, so the target has been met. The specific measures comprised continuing to improve the production process, and the Company's products being converted from traditional LCD modules to touch displays. As a result, the use of raw materials was reduced, and the amount of waste generated was relatively reduced as well. In 2019, the total waste was 250 tons. After implementing the measures above, the production waste was reduced by 24.39%. However, since the production capacity in 2019 increased by approximately 30% compared to that of 2018, the total waste for 2019 was higher than that of 2018 by 36 tons. Using 2019 as the benchmark, the Company has set a target to achieve a waste output of less than 0.42 kg per standard working hour by 2024 (the target waste output per standard working hour is reduced by 0.03% annually).</p>	
<p>4. Issues of Society (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 strictly observes all local laws and regulations in each global location, and 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. The Company has minutely disclosed the human-rights policy, human-rights assessment, human rights risk mitigating measures and other related educational training on the Company's website.</p>	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
(2) Does the company formulate and implement reasonable employee benefits measures (including salary, leave, other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of employees?	✓		The Company has complied with the “Labor Standards Act” and the relevant laws and regulations to establish and implement the provisions such as the Codes for Salary, Codes for Performance Assessment, and Codes for Work Attendance, in order to provide employees with reasonable or even better welfare measures than those required by the laws, and which are disclosed in detail on the Company’s website. In addition, pursuant to Article 22-1 of the Company’s “Articles of Incorporation”, the Company shall allocate 5 percent or more as employees’ compensation to share the profit results with the employees when there is profit for the current year.	None.
(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: 2007 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 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 irregularly 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.
(5) Does the company comply with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and complaint procedures?	✓		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. To ensure the consumer rights of clients, company products are all passed by quality inspection before being shipped to clients.	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
(6) Does the company formulate a supplier management policy which requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and how their implementation is.	✓		<p>The Company has signed employment contracts with all employees, the contents of which include the employee’s confidentiality agreement at work in order to protect customer privacy and intellectual property rights.</p> <p>“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.</p> <p>The Company has adopted “Codes for Management of Contractors” and “edt Social and Environmental Responsibility (SER) Code of Conduct”, which contains labor rights, occupational safety and health, environment, corporate ethics, prohibitions of conflict minerals, anti-corruption, etc. 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 “edt Supplier Quality and Transportation Agreement” and commit to strictly follow request from “edt Social and Environmental Responsibility (SER) Code of Conduct” / Responsible Business Alliance(RBA) Code of Conduct / Responsible Minerals Initiative(RMI) to jointly preserve human rights and protect the environment. Total 228 suppliers (including all main suppliers) has signed “edt Supplier Quality and Transportation Agreement”.</p>	None.
5. Does the company refer to the reporting standards or guidelines which are accepted internationally for compiling reports which disclosed the non-financial information of the company, such as the corporate social responsibility report? Does the previous report obtain the assurance or verification statement of a verification unit from the third party?	✓		<p>The Company has finished the “Corporate Social Responsibility Report” of 2018. 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.</p>	None.

Evaluation Item	Implementation Status			Variance from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reason
	Yes	No	Abstract Explanation	
6. 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.				
7. 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 2019 are as follows: (1) The Company was actively involved and provided free gifts in a blood donation event initiated by neighborhood companies. 15 employees had participated in blood donation and 180 gifts were sponsored. By paying it forward, the Company expect to attract more people sharing great love to help others. (2) 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 1 employees participated in oral cancer screening, 3 in breast cancer screening, 10 in cervical cancer screening, and 3 in colorectal cancer screening. (3) In response to Kaohsiung City Government’s Mid-Autumn Festival gift subscription for people with disabilities event, the Company has held the “You Make the Moon Fuller” Mid-Autumn Festival charity event whereby 126 colleagues raised a total of NT\$100 thousand. The fund was used to order 290 Mid-Autumn Festival gift boxes from the “Kaohsiung Three Mountain Spine Reconstruction Association,” and then donated to the Social Affairs Bureau of Kaohsiung City Government Central District Comprehensive Social Welfare Service Center to give to low-income households and elderly people living alone in Kaohsiung City. (4) Assist 25 junior students from Cheng Shiu University in factory visiting.				

Note 1: The risk management policies are listed as below:

Major issues	Risk assessment items	Risk management policies
Environment	Environmental protection and ecological conservation	The Company is committed to environmental protection whereby its waste and waste water generated during the production process are strictly controlled by laws and regulations to effectively reduce the environmental pollution impacts. Meanwhile, the Company has also formulated environmental safety and health implementation plans or protocols each year, and regularly tracked and reviewed the various progress and goals to ensure the objectives are met.
Society	Occupational safety	The Company has achieved OHSAS18001: 2007 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. Furthermore, the Company has irregularly conducted the fire drill and held occupational safety training to develop the employees’ abilities of emergency response and self security management. The Company infirmary is also equipped with on-site nurses and occupational doctors to provide the appropriate medical assistance.
	Product safety	To make sure the products meet the customers’ environmental protection demands and the “Restriction of Hazardous Substances in Electrical and Electronic Equipment” (RoHS) instructions implemented by the European Union, the Company has formulated the “Procedure of edt Controlled Substances” to require third-party source procurement suppliers to collaborate. In addition to signing the “Non-use declaration for controlled substances”, suppliers must also provide raw material inspection certification documents to prove that the raw materials delivered do not contain environmentally controlled substances, and provide customers with stable product quality through strict quality system management. Meanwhile, the Company has conducted regular customer satisfaction surveys annually to ensure customer service quality and listen to customer feedback. If there is any negative customer feedback or poor customer satisfaction, the matter shall be discussed during the annual management review meeting to propose improvement plans and suggestions in order to gain the customers’ trust and long-term patronage.
Corporate Governance	Compliance of regulations of social economy	Fully implement the internal control mechanism and establish a corporate governance framework by setting up a legal compliance zone on the internal website to ensure all company personnel and operations comply with the relevant laws and regulations.

3.4.6 The state of the Company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Evaluation Item	Implementation Status			Variance from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Explanation	
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Does the company develop ethical corporate management policies approved by the board of directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the board of directors and the senior management implementing the commitment to business policies?	✓		On November 4, 2014, the Company's Board of Directors passed the "Ethical Management Principles" as well as "Codes for Ethical Management" and successively revised their contents, which are disclosed via the Market Observation Post System and the Company's website. In addition, the Company has prepared a corporate social responsibility report each year since 2014 to highlight the Company's corporate social responsibility and contribution efforts for the stakeholders. The Company's business philosophy is "quality, honor, sincerity, creativity". All members of the Board of Directors and senior management are honest and responsible for supervision to create a sustainable business environment.	None.
(2) Does the company establish the assessment system for the risks of unethical behaviors and regularly analyze and assess the business activities with higher risks of unethical behaviors within its business scope? Furthermore, does the company establish prevention programs against unethical behaviors, which at least covered the prevention measures for the behaviors in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established the assessment system for the risks of unethical behaviors, and adopted "Codes for Ethical Management" to prohibit those behaviors in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies". Both a concrete reporting and rewards system has been regulated in above codes. In addition, the Company has established an effective accounting system and internal control system with internal auditors periodically verifying the compliance of the aforementioned systems for implementing ethical management.	None.
(3) Does the company clearly establish and implement operating procedures, code of conduct, penalties for violation and complaint system in the prevention programs against unethical behaviors as well as reviewed and revised the aforementioned programs regularly?	✓		The Company has established the "Codes for Ethical Management" and disclosed it on the Company's website. The codes provide the operating procedures, code of conduct, penalties for violation, and whistleblowing methods; fully regulated employee business operation precautionary items; and strengthened education, training, and guidance for new employees. In addition, the need for revision is regularly reviewed based on the actual company operation status and the revision of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".	None.

Evaluation Item	Implementation Status			Variance from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Explanation	
<p>2. Fully Implementing Ethical Corporate Management</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	✓		<p>The Company embraces the principle of integrity in trading with a business partner. The Company will look into the integrity status of the partner and include the compliance of ethical corporate management in a contract, which will include the following:</p> <p>A. If either party involves with any unethical behaviors in business activity, the other party may unconditionally terminate the contract at anytime.</p> <p>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.</p>	None.
<p>(2) Does the company establish units exclusive for the promotion of ethical corporate management, which are affiliated under board of directors and will report regularly (at least once a year) to board of directors about the programs, supervision and execution situations for the ethical corporate management policies and the prevention against unethical behaviors?</p>	✓		<p>The Company has established the concurrent unit - "Business Integrity Promotion Team" responsible for promoting of ethical corporate management affiliated to the Board of Directors, which should report the implementation status to the Board of Directors at least once a year. The recent proposal to the Board meeting was on March 10, 2020. The implementation status of ethical corporate management policies are listed in Note 1 and disclosed on the Company's website.</p>	None.
<p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	✓		<p>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 behaviors 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 2019.</p>	None.

Evaluation Item	Implementation Status			Variance from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Explanation	
(4) Has the company established effective accounting systems and internal control systems for implementing ethical corporate management and has its internal audit unit developed relevant audit programs according to the assessment results for the risks of unethical behaviors as well as reviewed compliance to prevention against unethical behaviors or entrusted accountants to conduct the review?	✓		The Company has established a complete and effective control mechanism for the accounting and internal control systems to target business activities and operating procedures with high potential risks of unethical behaviors. The internal auditors shall list high-risk operations as the top audit items in the annual audit plan according to the risk assessment in order to strengthen preventive measures, and regularly report the implementation status of audit plan to the Board of Directors. In addition, the Company and our key subsidiaries must perform internal control self-assessment each year to examine the internal control system design and implementation effectiveness.	None.
(5) Does the company regularly hold internal and external educational trainings regarding ethical corporate management?	✓		To implement ethical corporate management, the Company has held "Responsible Business Alliance (RBA) Code of Conduct" training internally. The content includes ethical management, no dishonest profit, identification protection, retaliation preventing, and so on. In 2019, 983 trainees participated the training with 1,966 training hours in total. In the part of law safety, it opened a total of 83 classes.	None.
3. Operation of Status of the Reporting System (1) Does the company establish a concrete reporting and rewards system and provided convenient channels for reporting in addition to assigning appropriate personnel dedicated to handling the matters reported?	✓		The Company has adopted "Regulations on Reflecting Employee Complaint and Opinion" and placed a comment box in the cafeteria. Employees may fill a complaint via the comment box, e-mail 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 behaviors and related handling procedures. Investigations will be carried out after notification is received by the Audit Office. If unethical behaviors have been verified, 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			Variance from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract Explanation	
(2) Does the company establish standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?	✓		In the "Codes for Ethical Management", the Company has regulated all records about the reception of whistleblowing, investigation process, investigation results, and related documentations shall be kept by the Audit Office. If a whistleblowing case has been verified, the relevant units of the Company will review the relevant internal control system and operating procedures, and propose improvement measures to prevent the same behaviors from reoccurring. Moreover, the Audit Office shall report the whistleblowing cases, its handling methods, and the subsequent review and improvement measures to the Board of Directors. In addition, all participating personnel must sign a "Declaration of Confidentiality" to keep confidential the whistleblowers and their reports.	None.
(3) Does the company adopt measures to safeguard the personnel who filed the report from receiving any unfair or inappropriate treatment?	✓		The Company has adopted a zero tolerance policy for retaliation. The whistleblowers and their reports will be kept confidential to protect the whistleblowers from any retaliation due to reporting unethical behaviors. The Company will follow-up regularly with whistleblowers 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 irregularly revises related ethical management regulations according to the latest laws and regulations as well as the state of implementation. The recent revision was "Ethical Management Principles" revised on August 6, 2019.				

Note 1: The implementation status of ethical corporate management policies are listed as below:

Items	The implementation status
Educational trainings	The Company has held "Responsible Business Alliance (RBA) Code of Conduct" training for all employees. The content includes ethical management, no dishonest profit, identification protection, retaliation preventing, and so on. In 2019, 983 trainees participated the training with 1,966 training hours in total. In the part of law safety, it opened a total of 83 classes.
Annual test	The Company has administered the annual test to all employees, and the range of the tests includes "Ethical Management Principles" and "Codes for Ethical Management". The key point of the annual test in 2019 was to keep integrity in operation, prohibit dishonest profit and damage to the interests of stakeholders, respect to intellectual property rights of the Company and secure the customer's data in business activities.
Compliance propaganda	The Company has set up a "legal compliance zone" on internal website to integrate the laws related to business activities. Also, the Company has promoted advocacy education for ethical management to remind new employees and active employees of precautions when they are doing the business through teaching materials.
Regular check	The Company has assessed the risk of corruption to the operational activities of important operating bases. The internal audit and the compliance-based self-evaluation were led by the Audit Office every year to achieve effective control and implementation, jointly manage and prevent the occurrence of unethical behaviors. There is no corruption and anti-competition activity in 2019.
Communication channel	The employees may respond to the Administration Dept. via multiple and smooth channels. The Company has also actively announced the ethical corporate management policies and implementation status of that by the external documents or activities such as the Company's website, annual report and investor conference.
Reporting system / whistleblower protection	The Company has adopted "Codes for Ethical Management" which regulate the whistleblowing methods to prevent unethical behaviors actively and to encourage internal and external persons to report unethical behaviors or improper conduct. Also, the Audit Office is appointed to accept the report. 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 has provided hotline, e-mail and special mailbox as the statement channels for employees. The Company has established a whistleblower protection system to keep confidential the whistleblowers and their reports, and promise to protect the whistleblowers from any retaliation due to reporting unethical behaviors. However, no improper conduct was reported in 2019.

3.4.7 If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched

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

3.4.8 Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance: None.

3.4.9 Internal control system

3.4.9.1 Statement on internal control

Emerging Display Technologies Corp.
Statement on Internal Control

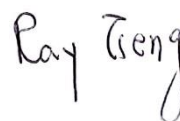
Date: March 10, 2020

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 2019:

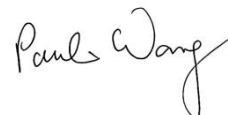
1. **edt**'s Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, 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, 2019, 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 2019 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 10, 2020, with none of the seven 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 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

3.4.11 Material resolutions of a shareholders' meeting or a board of directors meeting:

Shareholders' meeting			
Date	Description	Resolutions	Implementation
Jun. 4, 2019	1. Adoption of the Business Report and Financial Statements of 2018.	Passed without objection by all shareholders present.	Not applicable.
	2. Adoption of the proposal for distribution of 2018 profits.	Passed without objection by all shareholders present.	The profit to be distributed among shareholders shall be NT\$78,703,802 in cash dividends. The ex-dividend date was July 10, 2019 resolved by the Chairman. The cash dividend was NT\$0.5 per share and fully paid on July 26, 2019.
	3. Amendment to the Company's "Regulations Governing the Acquisition and Disposal of Assets".	Passed without objection by all shareholders present.	Announced on the Company's website on June 4, 2019 and implemented henceforth.
Board of Directors meeting			
Date	Description	Resolution	
Jan. 8, 2019	1. To discuss 19 th time repurchase of company stock.	Planned to buy back 5,000,000 shares. Repurchase price is at NT\$7 to NT\$11.	
	2. To discuss the adoption of "Rules of Year 2019 Share Repurchase for Transferring to Employees"	Passed unchanged by all directors present.	
Mar. 8, 2019	1. To discuss operating performance of 2018 and business plan for 2019.	Passed unchanged by all directors present.	
	2. To discuss business report, financial statements, and consolidated financial statements for 2018.	Passed unchanged by all directors present.	
	3. To discuss the distribution of 2018 employees' compensation and remuneration for directors and supervisors.	Planned compensation for employees totals NT\$6,704,199 and remuneration for directors and supervisors totals NT\$4,022,519. Total amounts will be paid in cash.	
	4. To discuss the proposal for distribution of 2018 profits.	The profit to be distributed among shareholders shall be NT\$78,703,802 in cash dividends (NT\$0.5 per share).	
	5. To discuss time, date, location and agenda of shareholders' meeting for 2019, 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 4, 2019 at 9 ^{am} in the 1F conference hall. Submission of proposals from shareholders with 1% or more shares will be accepted from March 29 to April 8.	
	6. To discuss self-assessment and statement on internal control for 2018.	Passed unchanged by all directors present.	
	7. To discuss the amendment of internal control system, version 17, and internal audit system with its implementing regulations, version 6.	Passed unchanged by all directors present.	
	8. To discuss the amendment of accounting system, version 4.	Passed unchanged by all directors present.	
	9. To discuss the amendment of "Rules of Year 2019 Share Repurchase for Transferring to Employees".	Passed unchanged by all directors present.	
	10. To discuss the amendment of "Regulations Governing the Acquisition and Disposal of Assets".	Passed unchanged by all directors present.	
	11. To discuss the change of CPA, and independence and suitability assessment for new CPA.	Due to internal job rotation, KPMG changed audit partner from Q1 of 2019. The audit partner adjusted from previous Yang, Po-Jen and Chen, Kuo-Tsung to Yang, Po-Jen and Su, Yen-Ta. New CPA have achieved the Company's standards of the independence and suitability after evaluation.	
	12. To discuss remuneration adjustments of 2019 for the Chairman and managerial employees.	Passed unchanged by directors present excluding four directors avoiding vote in conflict of interest.	
	13. The Company plan to make a loan of US\$1,450,000 to Emerging Display Technologies Corp., U.S.A..	Passed unchanged by all directors present.	
	14. To discuss the capital reduction date to retire treasury stock (12 th time buy back).	The capital reduction date to retire treasury stocks totaled 12,000,000 shares is April 12, 2019.	
	15. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.	
May 8, 2019	1. To discuss operating performance of Q1 of 2019 and business plan for Q2.	Passed unchanged by all directors present.	
	2. To discuss the amendment of "Corporate Governance Principles".	Passed unchanged by all directors present.	
	3. To discuss the amendment of "Evaluation Regulations of the Board's Performance".	Passed unchanged by all directors present.	
	4. To appoint the Corporate Governance Officer.	Hsieh, Wen-Hsiung, Vice President & Chairman's Special Assistant, was appointed as the "Corporate Governance Officer" to be responsible for corporate governance-related matters.	
	5. To discuss the amendment of "Rules of Procedure for Board of Directors Meetings".	Passed unchanged by all directors present.	
	6. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.	

Aug. 6, 2019	1. To discuss the distribution details of 2018 employees' compensation and remuneration for directors and supervisors.	The compensation for employees totals NT\$6,704,199 and remuneration for directors and supervisors totals NT\$4,022,519. The distribution details were passed unchanged by all directors present.
	2. To discuss the amendment of "Ethical Management Principles".	Passed unchanged by all directors present.
	3. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.
Nov. 5, 2019	1. To discuss and review of all remunerations of 2020 for directors, supervisors, and managerial personnel.	Passed unchanged by directors present excluding four directors avoiding vote in conflict of interest.
	2. To discuss year-end remunerations and bonuses to the Chairman and managerial personnel for 2019.	Passed unchanged by directors present excluding four directors avoiding vote in conflict of interest.
	3. To discuss the amendment of "Compensation Committee Charter".	Passed unchanged by all directors present.
	4. To discuss annual renewal of financing from financial institutions.	Passed unchanged by all directors present.
Dec. 17, 2019	1. To discuss the amendment of "Rules for Making of Endorsements/Guarantees" and "Procedures for Loaning Funds to Others".	Passed unchanged by all directors present.
	2. To discuss the proposed audit plan for 2020 in accordance with Article 13 of "Regulations Governing Establishment of Internal Control Systems by Public Companies".	Passed unchanged by all directors present.
Mar. 10, 2020	1. To discuss business plan for 2020.	Passed unchanged by all directors present.
	2. To discuss business report, financial statements, and consolidated financial statements for 2019.	Passed unchanged by all directors present.
	3. To discuss the distribution of 2019 employees' compensation and remuneration for directors and supervisors.	Planned compensation for employees totals NT\$16,361,542 and remuneration for directors and supervisors totals NT\$9,816,925. Total amounts will be paid in cash.
	4. To discuss the proposal for distribution of 2019 profits.	Net profit of 2019 was NT\$257,325,374. By adding previous years' retained earnings of NT\$68,681,489, proceeds from disposal of equity instruments at fair value through other comprehensive income of NT\$10,514,003, reversal of special reserve for equity deduction of NT\$9,958,469, reversal of special reserve for changes of market price of the Company's shares held by subsidiaries of NT\$38,735,481, and deducting changes of remeasurement from defined benefit plans of NT\$2,876,000, retirement of treasury stock of NT\$2,699,861, total distributable earnings for year amounted to NT\$379,638,955. After setting aside 10% of net profit as legal reserve of NT\$25,732,538, the profit to be distributed among shareholders shall be NT\$188,889,124 in cash dividends (NT\$1.2 per share).
	5. To discuss the amendment of "Articles of Incorporation".	Passed unchanged by all directors present.
	6. To discuss time, date, location and agenda of shareholders' meeting for 2020, 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, 2020 at 9 ^{am} in the 1F conference hall. Submission of proposals from shareholders with 1% or more shares will be accepted from April 5 to April 15.
	7. To discuss self-assessment and statement on internal control for 2019.	Passed unchanged by all directors present.
	8. To discuss the amendment of internal control system, version 18, and internal audit system with its implementing regulations, version 7.	Passed unchanged by all directors present.
	9. To discuss the amendment of accounting system, version 5.	Passed unchanged by all directors present.
	10. To discuss the independence and suitability assessment of 2020 for CPA.	The audit partner Yang, Po-Jen and Su, Yen-Ta have achieved the Company's standards of the independence and suitability after evaluation.
	11. To discuss remuneration adjustments of 2020 for the Chairman and managerial employees.	Passed unchanged by directors present excluding four directors avoiding vote in conflict of interest.
	12. To discuss additional amounts and annual renewal of financing from financial institutions.	Passed unchanged by all directors present.
Mar. 24, 2020	1. To discuss 20 th time repurchase of company stock.	Planned to buy back 7,000,000 shares. Repurchase price is at NT\$12 to NT\$20.
	2. To discuss the adoption of "Rules of Year 2020 Share Repurchase for Transferring to Employees"	Passed unchanged by all directors present.
Apr. 23, 2020	1. The Company plan to ask for a bank syndicated loan of NT\$800 million. (The Company may increase or decrease the total amount and each sub-item amount in the 20% range depending on the condition).	Plan to enter into a syndicated loan agreement with banks led by E.SUN Bank for the period from the date of first borrowing to the five-year term.

3.4.12 A director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

3.4.13 A summary of resignations and dismissals of the company’s chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None.

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	Yang, Po-Jen	Year 2019	None
	Su, Yen-Ta		

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 listed as below was not over 25% of the total audit fees.

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA’s Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Yang, Po-Jen	4,250	0	0	0	720	720	Year 2019	“Others” was service fees of transfer pricing report .
	Su, Yen-Ta								

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 10 percent or more: The audit fees paid for the current fiscal year were lower than those for the previous fiscal year by NT\$740 thousand (or 14.83%) due to the Company changed to record service fees of transfer pricing report as non-audit fees in the current year.

3.6 Information on replacement of CPA: Due to internal job rotation, KPMG changed audit partner from Q1 of 2019. The audit partner adjusted from previous Yang, Po-Jen and Chen, Kuo-Tsung to Yang, Po-Jen and Su, Yen-Ta.

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 Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

Unit: Shares

Title	Name	2019		As of April 13, 2020	
		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	Huang, Mao-Hsiung	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	100,766	0
Supervisor	Tseng, Shu-Ling	(40,000)	0	0	0
Supervisor	Ting, Hung-Hsun	0	0	0	0
President & CEO	Wang, Tai-Kuang	0	0	0	0
Vice President	Lin, Ho-Hsing (Note 1)	0	0	—	—
Executive Vice President	Huang, Mao-Hsiung	0	0	0	0
Vice President	Yu, Cheng-Chung	(103,882)	0	155,000	0
Vice President & Chairman's Special Assistant & Corporate Governance Officer	Hsieh, Wen-Hsiung	0	250,000	0	0
Vice President	Kao, Neng-Sen	0	0	0	0
Financial Officer	Huang, Hsiu-Wen	30,000	0	0	0
Accounting Officer	Kuo, Kun-He	9,000	0	0	0

Note 1: Transferred to the Consultant on January 1, 2020, then resigned on February 20, 2020.

3.8.1 Transfer of equity interests 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\$)
None						

3.8.2 Pledge of equity interests 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 company's 10 largest shareholders

As of April 13, 2020

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	6.80%	256,759	0.16%	0	0.00%	Tseng, Shu-Ling	Siblings	None
							Hsieh, Hui-Tai	In-law	
Hsieh, Hui-Tai	6,486,867	3.99%	623,281	0.38%	0	0.00%	Tseng, Jui-Ming	In-law	None
Ying Dar Investment Development Corp.	5,346,672	3.29%	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	1,666,487	1.03%	1,802,813	1.11%	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	2.12%	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	0.16%	0	0.00%	0	0.00%	Bae Haw Investment Development Corp.	Director	None
Lin, Yu-Fen	1,802,813	1.11%	1,666,487	1.03%	0	0.00%	Wang, Tai-Kuang	Spouse	None
Huang, Mao-Hsiung	1,674,536	1.03%	0	0.00%	0	0.00%	None	None	None
Tseng, Shu-Ling	1,581,209	0.97%	1,553	0.00%	0	0.00%	Tseng, Jui-Ming	Siblings	None
Lien, Tien-Fu	1,265,000	0.78%	0	0.00%	0	0.00%	None	None	None
JPMorgan Chase Bank in Custody for JPMorgan Securities Ltd. Company Investment Account	1,045,000	0.64%	0	0.00%	0	0.00%	None	None	None

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company

Unit: Shares / %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managerial Officers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Emerging Display Technologies Corp., 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%
Emerging Display Technologies Korea	58,212,500	100.00%	0	0.00%	58,212,500	100.00%
EDT-Japan Corp.	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.
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.

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
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.
06/2018	10	350,000	3,500,000	179,408	1,794,076	Treasury stocks cancellation NT\$40,000	None	Approval No. 10740011280 issued by K.E.P.Z.
11/2018	10	350,000	3,500,000	174,408	1,744,076	Treasury stocks cancellation NT\$50,000	None	Approval No. 1074001202 issued by K.E.P.Z.
04/2019	10	350,000	3,500,000	162,408	1,624,076	Treasury stocks cancellation NT\$120,000	None	Approval No. 1084100047 issued by K.E.P.Z.

Share Type	Authorized Capital			Remarks
	Outstanding Shares (Note)	Un-issued Shares	Total Shares	
Common Stock	157,407,603	192,592,397	350,000,000	TWSE Listed Company

Note: Buyback shares are deducted.

4.1.2 Status of shareholders

As of April 13, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	233	28,288	60	28,582
Shareholding (shares)	0	680,000	16,887,050	138,417,188	6,423,365	162,407,603
Percentage	0.00%	0.42%	10.40%	85.23%	3.95%	100.00%

4.1.3 Shareholding distribution status

As of April 13, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	18,353	861,909	0.53%
1,000 ~ 5,000	6,640	15,438,407	9.51%
5,001 ~ 10,000	1,634	13,154,654	8.10%
10,001 ~ 15,000	574	7,271,216	4.48%
15,001 ~ 20,000	383	7,202,456	4.43%
20,001 ~ 30,000	335	8,659,579	5.33%
30,001 ~ 50,000	278	11,359,031	6.99%
50,001 ~ 100,000	213	15,539,963	9.57%
100,001 ~ 200,000	85	12,185,868	7.50%
200,001 ~ 400,000	52	14,302,577	8.81%
400,001 ~ 600,000	8	3,654,040	2.25%
600,001 ~ 800,000	10	7,012,750	4.32%
800,001 ~ 1,000,000	5	4,403,130	2.71%
1,000,001 or over	12	41,362,023	25.47%
Total	28,582	162,407,603	100.00%

4.1.4 List of major shareholders

As of April 13, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Tseng, Jui-Ming	11,043,723	6.80%
Hsieh, Hui-Tai	6,486,867	3.99%
Ying Dar Investment Development Corp.	5,346,672	3.29%
Bae Haw Investment Development Corp.	3,447,716	2.12%
Lin, Yu-Fen	1,802,813	1.11%
Huang, Mao-Hsiung	1,674,536	1.03%
Wang, Tai-Kuang	1,666,487	1.03%
Tseng, Shu-Ling	1,581,209	0.97%
Lien, Tien-Fu	1,265,000	0.78%
JPMorgan Chase Bank in Custody for JPMorgan Securities Ltd. Company Investment Account	1,045,000	0.64%

4.1.5 Market price, net worth, earnings, and dividends per share

Items		Period	2019	2018	Jan. 1, 2020~ Apr. 24, 2020
Market Price per Share	Highest Market Price		21.45	10.65	20.20
	Lowest Market Price		9.40	8.35	11.70
	Average Market Price		16.99	9.79	17.47
Net Worth per Share	Before Distribution		12.73	11.34	(Note 5)
	After Distribution		Undistributed	10.83	
Earnings per Share	Weighted Average Shares (thousand shares)		148,848	157,803	(Note 5)
	Earnings per Share	Before Adjustment	1.73	0.71	(Note 5)
		After Adjustment	Undistributed		0.71
Dividends per Share	Cash Dividends		(Note 4)	0.50	
	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)		9.28	13.39	(Note 5)
	Price / Dividend Ratio (Note 2)		(Note 4)	19.02	
	Cash Dividend Yield Rate (Note 3)		(Note 4)	5.26%	

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 1st quarter of 2020 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 2019, the Company made a net profit of NT\$257,325,374. By adding previous years' retained earnings of NT\$68,681,489, proceeds from disposal of equity instruments at fair value through other comprehensive income of NT\$10,514,003, reversal of special reserve for equity deduction of NT\$9,958,469, reversal of special reserve for changes of market price of the Company's shares held by subsidiaries of NT\$38,735,481, and deducting changes of remeasurement from defined benefit plans of NT\$2,876,000, retirement of treasury stock of NT\$2,699,861, total distributable earnings for year amounted to NT\$379,638,955. After setting aside 10% of net profit as legal reserve of NT\$25,732,538, the profit to be distributed among shareholders shall be NT\$188,889,124 in cash dividends (NT\$1.2 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.
- B. 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.
- C. Upon the approval of the 2020 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 evaluation of directors' and supervisors' remuneration is based on the Company's "Evaluation Regulations of the Board's Performance", and that of managers' and employees' is based on the "Codes for assessment". The evaluation items contain alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, director's professionalism and continuing education, internal control, and so on. In addition, the overall operation performance of the Company, the future operation risk and developing trends of the industry, personal goal achievement rate and contribution to the Company's performance are considerate when giving out reasonable remuneration. Related performance assessment and reasonable remuneration are reviewed by Compensation 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 2019 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	16,362	16,362	0	—	—
	Stock	0	0	0	—	—
Directors' and Supervisors' Remuneration		9,817	9,817	0	—	—
Total		26,179	26,179	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	6,704	6,704	0	—	—
	Stock	0	0	0	—	—
Directors' and Supervisors' Remuneration		4,023	4,023	0	—	—
Total		10,727	10,727	0	—	—

4.1.9 Buyback of treasury stock

A. Already completed

As of April 24, 2020

Time of the buyback	1 st time of 2019
The purpose of the buyback	Transfer to employees
The period for the buyback	Jan. 9, 2019~Jan. 29, 2019
The price range of the shares to be bought back	NT\$7~11
The type and number of the shares already bought back	Common stock / 5,000,000 shares
The monetary amount of the shares already bought back	NT\$50,738,984
The ratio of the number of shares bought back to the planned number of shares to be bought	100%
The number of shares that have been canceled and that have been transferred	-
The cumulative number of shares held by the Corporation	5,000,000 shares
The ratio of the cumulative number of shares held by the Corporation to the total number of the Corporation's issued shares	3.08%

B. Still in progress

As of April 24, 2020

Time of the buyback	1 st time of 2020
The purpose of the buyback	Transfer to employees
The type of the shares to be bought back	Common stock
The ceiling on the total monetary amount of the buyback	NT\$152,729,511
The planned period for the buyback	Mar. 24, 2020~May 23, 2020
The number of shares to be bought back	7,000,000 shares
The price range of the shares to be bought back	NT\$12~20
The type and number of the shares already bought back	Common stock / 0 shares
The monetary amount of the shares already bought back	NT\$0
The ratio of the number of shares that were bought back to the planned number of shares to be bought back	0%

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 restricted 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, the Company's STN and TFT-LCD display module products account for approximately 17% and 23% of the revenue, respectively. 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.

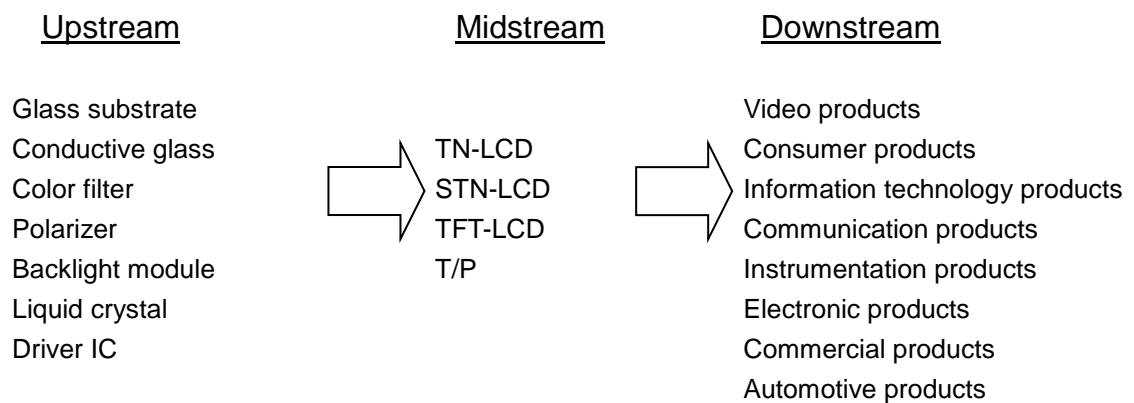
DIGITIMES' outlook for the large size (9-inch diagonal or higher) LCD panel industry and market development up to 2024 indicated that almost all LCD panel manufacturers will be in a state of loss since BOE, CSOT, and other enterprises have continued to expand new production capacity. In light of the highly competitive LCD market, two major South Korean companies – Samsung and LGD – have gradually transformed their panel businesses towards the development of higher unit price, high added value, and more difficult to emulate AMOLED products. It is estimated that several LCD production lines will be discontinued between 2019 and 2021, which will help to improve the large size LCD panel oversupply situation.

b. CTP

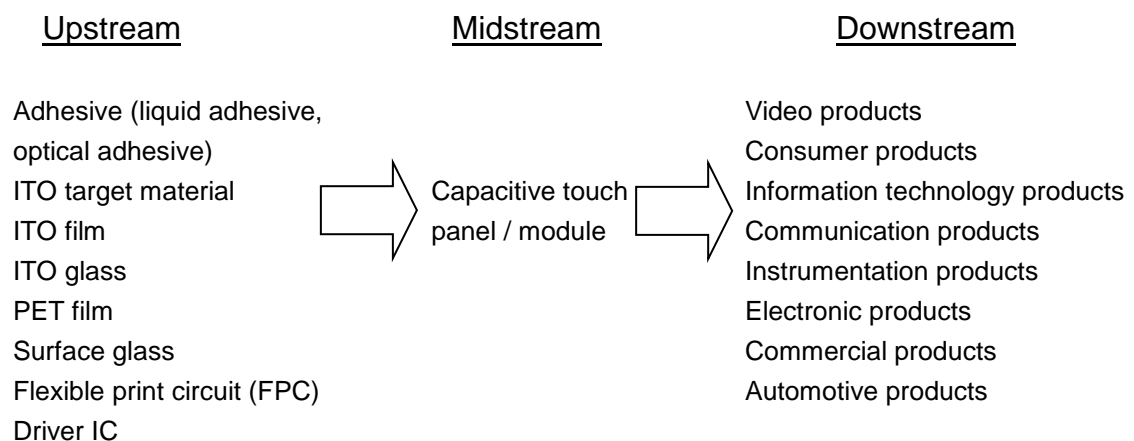
Due to the consumer preference and formed habits for the intuitive operation of touch interface, smartphones and tablets not only have become the main operating interface, but they have also experienced rapid growth. The product development combined with the touch technique and panels has been 10 years. The development of touch market is tending towards maturity, but with the changes in the communication mode between the new application market and the Internet of Things(IoT), artificial intelligence(AI), and smart home, the development of human-machine interface tends to be diverse. For example: the water tolerance touch could be applied in the field of medical institution, nautical ship or bathroom; while the 3D gesture recognition technology could be applied in automobile market, smart window with adaptive high-beam system, panels for vending machine and medical appliance based on the rules of public health. In conclusion, the touch technique is a basic for human-machine interface. With the continuous integration of technologies, a brand new human-machine communicating interface has been developed, and the assistance and mechanical learning of various AI algorithms have enabled the development of the overall human-machine communicating interface to present an infinite vision.

B. Relationship with up-, middle- and downstream companies

a. LCD



b. CTP



C. Product trends

a. Small and medium size of LCD

Small and medium size of consumer displays are mainly applying for smart phones, tablets, NBs, smart home devices and screens of automobiles, etc. Niche non-consumer displays are applying for industrial equipment, instrument, medicine, etc. The Company focuses on customized niche displays, and the characteristic of the product's size, weight, function, and even the brand all presents quite different customization features. The description as below:

◆ High resolution and wide viewing angle

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.

◆ High brightness and wide color gamut

React to the high-brightness demand of industrial control display and color accuracy of medical display, the industry has dispersed or coated fluorescent quantum dots in polymers to form film which so called "Quantum Dot Enhancement Film"(QDEF). The color accuracy of quantum dot could filter blue light into pure white light, and overcome the congenital defect of LCD to effectively reduce the dependence on color compensation to the filter layer. Thus, the luminance and color gamut all get an effective promotion. The actual performance is even comparable to OLED panels.

◆ 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:

◆ Water tolerance touch

The applied field of water tolerance touch is considerably extensive. For example: the outdoor access security system, the garage switch, the bathroom, kitchen and medical equipment. When the screen accumulates a certain area of water drops, it will seriously interfere with the touch signal, and the correction and adjustment of the algorithm can effectively reduce the situation of touch misjudgment.

◆ Capacitive 3D gesture recognition technology

With the change between new application market and in the Internet of Things(IoT), artificial intelligence(AI), and visual communication modes, the development of human-machine interface tends to be diverse. The evolution of 2D touch turned into 3D gesture will become a trend. The 3D gesture technique is similar to capacitive touch technique, which detects gestures by electric field sensing to detect gesture move in three dimensional space. The electrode of capacitive sensing technique covers in the incrustation of equipment, compared with infrared sensing technique, the electrode of capacitive sensing technique could make a beautiful industrial design without additional cutouts.

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.

The OLED panel in consumer market especially the mobile phone panel will gradually replace LCD panel. Thus, many panel factories abandoned the attitude of massing capital in expanding of production in the past, and turned to make a technology investment which is more progressive than OLED, such as Mini LED and Micro LED. Especially the Micro LED are integrated the technical advantage of the existing semiconductor, LED and display by Taiwan factories. Once the mass production of Micro LED is successful, it will form the situation of industrial competition with OLED. The Company will intently pay attention to its long-term development, and would equip the module products with display technology required by the market. However, the major needs of industrial control and medical market are still LCD.

Besides, many traditional display-related companies gradually abandon the thought of component suppliers in the past on market positioning, turn to emphasize multicultural concordance in the field of electron, electrical engineering, optics, mechanism, communication, software and artificial intelligence(AI), and provide high value added product and service, even become the provider of “solution”. In addition to making the display presents more diversification and differentiation, it also enables customers to save resources and shorten development time to create a win-win situation. Depending on customer needs, some component suppliers sell not only hardware applications, but turn to provide the integration of software and hardware in overall units or some stages to increase gross profit and sales unit price by solving more needs of customers. Through value transformation, technological innovation and smart manufacturing, the Company fits the industrial tendency of smart life, Internet of Things(IoT) and Internet of Vehicle (IoV) in the future.

5.1.3 Research and development

A. The Company has invested NT\$112,855 thousand into research and development for 2019, and planned to invest NT\$130,120 thousand for 2020.

B. Successfully developed technologies or products:

Item	R&D Results	Description of Benefits
1	3D Curved Touch Panel with Display Technology Development	Finish 10.1” demo box of 3D curved touch display to meet customers’ demand for high-end products featuring, such as wearable devices and automobile dashboards applications.
2	Capacitive Touch Integrated with EMR(Electro Magnetic Resonance) Pen Technology	Finish the prototype development of capacitive and electromagnetic pen dual-mode touch display which is a mixed-sensor integration able to seamlessly and accurately switch between pen and finger input. It mainly applies to electronic signature pads, medical instruments, professional graphics tablets or tablets for education.
3	Smart Window with Gesture Recognition Technology Development	Successfully developed “3D gesture smart energy-saving electronic window device” has won 2019 Smart Innovation Application Award. This device can isolate radiant energy and improve the defect of Low-Emissivity (Low-E) glasses that can not be adjusted light transmittance by users according to the weather. Due to built-in 3D gesture recognition and embedded systems, this device can be controlled by hand or bluetooth remote control, even through the mobile app.
4	Anti-Shatter and Anti-UV Touch Display Development	It is designed not only to prevent the shattering of glass type touch display, but also to prevent the deterioration of touch display by absorbing UV ray. It can satisfy the safety demand in automotive, nautical, flight or outdoor applications.
5	Microchip maXTouch Solution Development	Finish the first version firmware adjustment of three modules and send samples to customers for evaluation.
6	2D Touch+3D Gesture Recognition Technology Development	In addition to the 2D touch function, it also supports non-contact 3D gesture recognition and basic gesture recognition such as horizontal move, vertical move, and rotation (forward and reverse). Moreover, it can track gesture coordinates through the spatial coordinate algorithm design developed by us.
7	Development of Water Tolerance Capacitive Touch Module	There is no need to turn off the capacitance sensing function to perform one-finger coordinate reporting with liquid interference. Moreover, there is no problem of misreporting the coordinate.

Item	R&D Results	Description of Benefits
8	Value Line Embedded Product	Finish eight types of products on the STM32F746 and STM32F750 platforms, which are 4.3", 5" and 7" TFT-LCD.
9	Embedded with PoE	Finish five types of products on the STM32H750 platforms, which are 7" and 10.1" 1024*600 resolution TFT-LCD.
10	Embedded with Wireless	Design an expansion module for the STM32F750 and STM32H750 platforms, including BLE with SD card, which can be used for ten products.
11	Intellectual Property Rights (include Patents and Trade Secret)	Number of intellectual property right proposals totaled 22, which include 11 patent proposals and 11 trade secret proposals. Number of intellectual property rights granted totaled 7 (proposals accumulated in the previous years).

5.1.4 Long-term and Short-term Development

A. Short-term development

- a. Provide variation design of TFT-LCD module to satisfy different customized needs from customers, increase the proportion of niche-type display products in pan-industrial control and medical to diversify product types, and maintain the growth and earning power of the Company in the future.
- b. Develop solutions of embedded system to help customers integrate development needs such as software, firmware, and hardware design, further to make it differentiate and high-added valuing. Increase gross profit and sale price through technical integration.
- c. Import advanced engineering technology and new featured material, 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.
- d. Enhance function of technical services in overseas stronghold and increase business ratio of "total solution" to satisfy the quality of prompt service required by customers.

B. Long-term development

- a. Enhance the Company's R&D energy, cultivate developing potential of industries, build the R&D center of somatosensory technology, establish self-application capabilities of software and firmware development, and lock prospective advanced technology for doing research and development.
- b. Optimize the cost of optical bonding process and display technology such as surface treatment and free form laser cutting, strength the existing capacitive touch technique, develop water tolerance touch to utilize it in the outdoor access security system, the device in parking lot, the bathroom, kitchen and medical equipment.
- c. Develop 3D gesture, intelligent algorithms and expand diversified technology of interactive human-machine interface display. Realize a smart home and take the preemptive opportunities of high gross profit market in the future.

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 12.52%, Europe 55.00%, Americas 22.90%, other areas and domestic sales 9.58%.

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 DIGITIMES statistics, gross output value of the global small and medium size display industry for 2019 was US\$30.71 billion. The operating revenue of the Company for that year was US\$133 million, accounting for about 0.43% of the total global panel module output value. Additionally, gross output of the global touch panel industry for 2019 was US\$19.29 billion. The operating revenue of the Company for touch panel related products for that year was US\$78 million, accounting for about 0.40% of the total global touch panel module output value.

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

According to IHS, a city survey agency, the global panel manufacturer's average capacity utilization rate may fall to 40% or 50% due to the impacts of COVID-19. Shipments from mainland China are also affected by COVID-19, but have benefited Taiwanese manufacturers by giving them a good turnaround affect.

IEK indicated that if the epidemic has weakened the end consumer demand, momentum from stimuli such as the European Cup, the Tokyo Olympics, and 5G mobile phones would not be able to drive the consumer demand as expected. The global panel industry oversupply situation will tend to deteriorate. To cope with weakening global end consumer demands and panel oversupply, it is appropriate to expand the automotive, industrial control, commercial display, and 8K TV markets to develop customized and high-value products.

By ushering in new business models and vertical applications, the Internet of Things (IoT) is driving the industrial ecosystem transformation. For example, smart home appliances have driven the market demand for small and medium-sized panel products to become the new momentum of growth after handheld devices. The IoT technology started from improving user experiences to gradually developing new solutions such as thin and light designs, flexible displays, and transparent screens to redefine the human-machine interface. The focus of the industry will also move from the previous scale competition to value competition. For the panel factory business model in the future, scale will no longer be the key focus. How to flexibly respond to the market changes and adjust product portfolio to make profits during a downturn will become the manufacturer's top priority. Industrial control, automotive, smart speaker, smart home appliances, and other IoT applications will drive the new growth for small and medium size panel shipments. DIGITIMES estimated that such applications will stimulate the annual compound growth rate of small and medium-sized TFT-LCD shipments by 4.4% from 2019 to 2024.

In terms of medical device products, the medical-related market will maintain long-term and continuous growth as the global population grows, the aging population increases, the economy for developing countries strengthens, and the influence of infectious diseases magnifies under the globalization trend. The United States is the most important medical device market and manufacturer, accounting for about 40% of the global medical device market. According to the 2018 medical device industry annual statistics compiled by the Industrial Technology Research Institute, the trend of growth for the global medical device market has continued. The global medical device market in 2018 was US\$389.1 billion, and it is estimated to grow to US\$462.5 billion in 2021 with a compound annual growth rate of 6.5%. The Company has carefully cultivated the medical industry for many years, and is cautiously optimistic that the ratio of applications for medical products is expected to grow annually.

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 of applications, 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.

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 the estimation of market research agency IDC, the global IoT market will enter a rapid growing period which will reach a scale of US\$1.46 trillion. The IoT device will also soar as well, and the amount of it will increase from 12.1 billion in 2015 to 30 billion in 2020. The report of Cisco® Global Cloud Index also shows that the amount of data transmitted from IoT devices will be dramatically increased every year by cloud data centers around the world, and the total amount of data for 145 ZB (1 ZB is equal to 10^9 TB) in 2015 will accumulate to 600 ZB in 2020, which will increase up to a four-fold in five years. 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

The key upstream components include chemicals (photoresist, ITO targets, etc.), backlight sources (light-emitting diodes, cold cathode tubes, etc.), backlight modules (referring to integrated modules comprised of backlight source, prismatic lens, brightness enhancement film, diffusion film, light guide plate, etc.), photomask, ITO conductive substrate, plastic frame, prismatic lens, diffusion film, brightness enhancement film, light guide plate, driver IC, and so on. At present, Taiwanese manufacturers have gained a place in the industrial supply chain for some components such as backlight modules, color filters, prismatic lens, brightness enhancement films, diffusion films, polarizers, and driver ICs. However, TFT-LCD industry upstream materials such as glass substrates, ITO targets, and PVA polarizer films still rely mainly on Japanese manufacturer supply.

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 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 to fully achieve the complementary effect of compared interests, lower production costs and enhance company competitiveness.

◆ Supply of critical materials is periodic unbalance

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 production and 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 Main uses and production processes of main products

A. Main uses of products

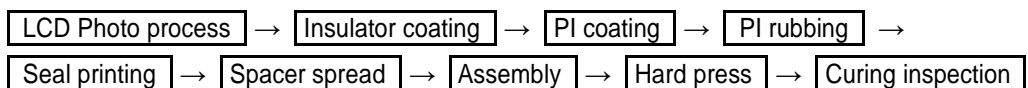
- (1) Industrial equipment application
- (2) Smart home device application
- (3) Automotive related application
- (4) Medical equipment application
- (5) Commercial equipment & OA application

B. Production processes

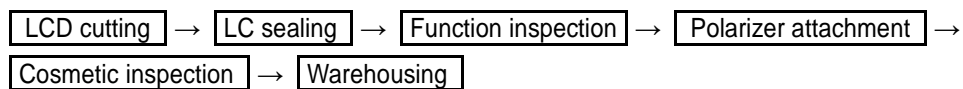
LCD, LCM, T/P, and CF are the Company's main products. The manufacturing processes are as follows:

a. LCD

◆ Front-end engineering

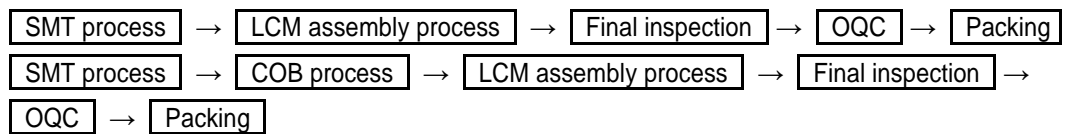


◆ Back-end engineering

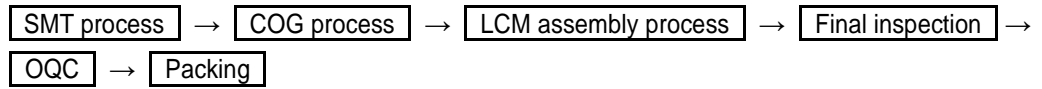


b. LCM

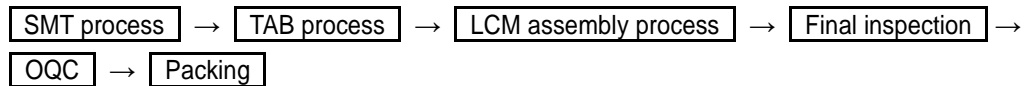
◆ Assembly



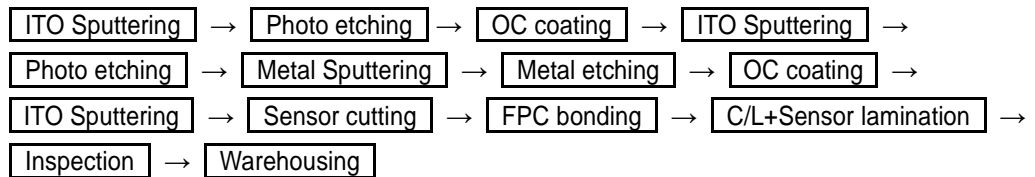
◆ COG



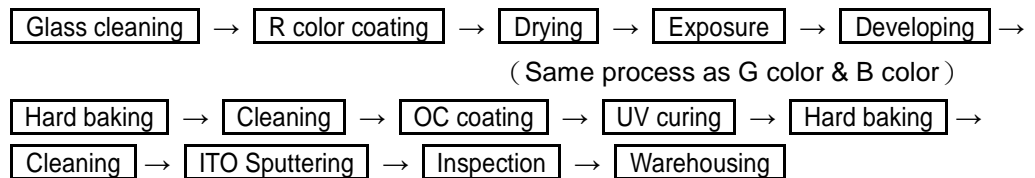
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c. T/P



d. CF



5.2.3 Supply status of main materials

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

5.2.4 Major suppliers and clients

A. Major suppliers in the last two calendar years

Unit: NT\$ thousands

Item	2019				2018			
	Company Name	Amount	Percent (%)	Relation With Issuer	Company Name	Amount	Percent (%)	Relation With Issuer
1	AAA	545,148	22.40	None	AAA	30,073	1.75	None
2	BBB	167,856	6.90	None	BBB	190,887	11.13	None
	Others	1,721,215	70.70		Others	1,494,800	87.12	
	Net Total Supplies	2,434,219	100.00		Net Total Supplies	1,715,760	100.00	

Purchased amount from supplier AAA increased and BBB decreased due to the adjustment of the Company's product portfolio.

B. Major clients in the last two calendar years

Unit: NT\$ thousands

Item	2019				2018			
	Company Name	Amount	Percent (%)	Relation With Issuer	Company Name	Amount	Percent (%)	Relation With Issuer
1	CCC	1,135,284	27.64	None	CCC	8,090	0.29	None
2	DDD	404,362	9.84	None	DDD	399,157	14.16	None
	Others	2,567,913	62.52		Others	2,411,488	85.55	
	Net Sales	4,107,559	100.00		Net Sales	2,818,735	100.00	

The sales to client CCC and DDD increased due to the demand from end customers.

5.2.5 Production in the last two years

Unit: NT\$ thousands / thousand pcs

Major Products \ Year	2019			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LCM Module	30,480	4,505	1,380,063	30,480	6,326	1,991,278
T/P Sensor & Module	7,524	4,407	2,535,506	7,524	840	580,451
Total	(Note)	(Note)	3,915,569	(Note)	(Note)	2,571,729

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	2019				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LCM Module	63	56,466	3,336	1,553,466	39	42,295	4,465	1,705,038
T/P Sensor & Module	173	279,871	1,627	2,146,001	95	157,457	654	879,171
Others	—	6,733	—	65,022	—	5,630	—	29,144
Total	236	343,070	4,963	3,764,489	134	205,382	5,119	2,613,353

5.3 Human resources

		Dec. 31, 2019	Dec. 31, 2018	Mar. 31, 2020
Number of Employees	Management Employee	81	81	79
	Indirect Employee	341	346	342
	R&D Employee	90	90	92
	Operator	534	525	520
	Total	1,046	1,042	1,033
Average Age		41.90	40.77	42.20
Average Years of Service		12.26	11.55	12.58
Education	Ph.D.	0.10%	0.10%	0.10%
	Masters	5.64%	4.80%	5.61%
	Bachelor's Degree	33.17%	32.34%	33.69%
	Senior High School	43.12%	43.47%	43.47%
	Below Senior High School	17.97%	19.29%	17.13%

5.4 Disbursements for environmental protection

5.4.1 Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

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 "Procedure of **edt** Controlled 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 benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

A. Employee benefits

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

B. Education and training

- a. Expenses for education and training of 2019 were NT\$153 thousand. Education and training focused on course regarding artificial intelligence, environment / safety / health and specific equipment operation.
- b. 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.
- c. 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

- a. The Company follows the government's related regulations to monthly allocate retirement preparation funds based on 2% of 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.
- b. 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.
- c. The Company has adopted codes for employee retirement and full-time employees are all applicable from their date of employment. The conditions and procedures for employees applying for retirement are as follows:
 - ◆ An employee may apply for voluntary retirement under any of the following conditions:
 - An employee attains the age of 55 and has worked for 15 years.
 - An employee has worked for more than 25 years.
 - An employee attains the age of 60 and has worked for 10 years.
 - ◆ An employer shall not force a worker to retire unless any of the following situations has occurred:
 - An Employee attains the age of 65. The Company may request the central competent authority to adjust the age prescribed if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, that the age shall not be reduced below 55.
 - An Employee who is unable to perform his/her duties due to disability.
 - ◆ The criteria for payment of employee pensions:
 - According to old pension system of the Labor Standard Laws, two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months, however, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers forced to retire due to disability incurred from the execution of their duties.
 - According to new pension system of the Labor Pension Act, the Company allocates 6% of the monthly salary which according to Salary Grading Table as retirement benefit and this amount shall be deposited to the employee's pension account. An employee shall contribute voluntarily no more than 6% of his/her monthly salary to above account as retirement pension.

◆ The procedure of pension payment:

The Company shall pay the pensions within 30 days from the day of retirement according to old pension system of the Labor Standard Laws. Employees claiming retirement benefits shall open a specific account with necessary documents at a financial institution for the deposit of retirement benefits.

- d. 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.
- e. For the labors who are adapting to old pension system of the Labor Standard Laws, the Company has accumulated NT\$114,246 thousand as retirement preparation funds by the end of 2019; while the Company totally allocates NT\$23,599 thousand for the labors who are adapting to new pension system of the Labor Pension Act in 2019.
- f. In 2019, no person has applied for voluntary retirement in accordance with Article 53 of Labor Standards Act and departed according to relevant retirement regulations.
- g. Other important agreements: None.

5.5.2 List any losses suffered by the Company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

- 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:
 - a. Establish safety and hygiene managerial unit in accordance with the Occupational Safety and Health Act.
 - b. Equip operating site with emergency personnel and arrange refresher training in accordance with the Occupational Safety and Health Act.

- c. 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.
- d. Hold monthly environment safety meetings and discuss issues related to environment safety.
- e. Arrange fire and safety audit every month.
- C. Fire prevention and facility safety
 - a. Monthly maintenance and inspection of lift by commissioned maintenance company, annual review by qualified inspection agency.
 - b. Fire equipment inspection by faculty division, annual review by qualified inspection agency.
 - c. High pressure gas equipment inspection by faculty division, annual review by qualified inspection agency.
- D. Health and hygiene
 - a. Biannual operations environment check.
 - b. Annual physical examinations and particular physical checkups for employees.
 - c. Infirmary equipped with on-site nurses and occupational doctors to provide the appropriate medical assistance.
- E. Achieved OHSAS18001: 2007 Certification for labor safety and health.

5.6 Important contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Syndicated loan	6 banks, including E.SUN Bank	August 15, 2017 ~ August 14, 2020	Syndicated loan totaling NT\$800 million	Maintenance of specific financial ratio
Liability insurance for directors and supervisors	Fubon Insurance	January 18, 2019 ~ January 18, 2020	Liability insurance for directors and supervisors	None
Liability insurance of technology	Chubb	November 1, 2019~ November 1, 2020	Product liability / 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				
			2019	2018	2017	2016	2015
Current assets			2,950,694	2,744,601	2,906,821	2,752,789	2,968,777
Property, plant and equipment			365,955	455,838	391,411	459,027	537,810
Intangible assets			3,777	2,471	3,540	3,868	3,525
Other assets			316,440	191,158	233,351	238,164	250,821
Total assets			3,636,866	3,394,068	3,535,123	3,453,848	3,760,933
Current liabilities	Before distribution		1,528,241	1,096,599	1,136,283	1,321,702	1,338,994
	After distribution	Undistributed		1,175,303	1,204,632	1,391,727	1,399,266
Non-current liabilities			156,644	488,310	481,278	91,477	305,870
Total liabilities	Before distribution		1,684,885	1,584,909	1,617,561	1,413,179	1,644,864
	After distribution	Undistributed		1,663,613	1,685,910	1,483,204	1,705,136
Equity attributable to shareholders of the parent			1,892,106	1,742,230	1,835,532	1,960,302	2,035,827
Capital stock			1,624,076	1,744,076	1,834,076	1,949,076	2,149,076
Capital surplus			4,397	28,226	23,873	33,663	27,955
Retained earnings (accumulated deficit)	Before distribution		539,266	355,707	325,664	338,384	216,937
	After distribution	Undistributed		277,003	257,315	268,359	156,665
Other equity interest			(102,612)	(112,570)	(74,872)	(87,612)	(99,001)
Treasury stock			(173,021)	(273,209)	(273,209)	(273,209)	(259,140)
Non-controlling interest			59,875	66,929	82,030	80,367	80,242
Total equity	Before distribution		1,951,981	1,809,159	1,917,562	2,040,669	2,116,069
	After distribution	Undistributed		1,730,455	1,849,213	1,970,644	2,055,797

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				
	2019	2018	2017	2016	2015
Operating revenue	4,107,559	2,818,735	3,005,136	3,178,919	3,476,757
Gross profit	801,020	479,351	510,662	627,726	693,909
Income from operations	314,590	60,968	104,516	184,395	235,128
Non-operating income and expenses	(10,690)	65,661	(37,308)	31,589	82,016
Income before tax	303,900	126,629	67,208	215,984	317,144
Net income	257,047	112,163	55,571	187,846	266,637
Other comprehensive income (loss) (after tax)	10,820	(29,069)	16,137	5,387	(62,258)
Total comprehensive income	267,867	83,094	71,708	193,233	204,379
Net income attributable to shareholders of the parent	257,325	111,926	54,314	187,772	265,977
Net income (loss) attributable to non-controlling interest	(278)	237	1,257	74	660
Comprehensive income attributable to Shareholders of the parent	274,921	82,274	70,045	193,108	204,662
Comprehensive income (loss) attributable to non-controlling interest	(7,054)	820	1,663	125	(283)
Earnings per share (NT\$)	1.73	0.71	0.33	1.03	1.25

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				
		2019	2018	2017	2016	2015
Current assets		2,852,695	2,651,613	2,762,047	2,633,944	2,839,237
Property, plant and equipment		309,051	340,513	324,512	383,070	453,128
Intangible assets		3,760	2,448	3,425	3,868	3,521
Other assets		423,352	352,910	375,943	377,976	390,676
Total assets		3,588,858	3,347,484	3,465,927	3,398,858	3,686,562
Current liabilities	Before distribution	1,543,804	1,117,174	1,149,117	1,347,079	1,344,865
	After distribution	Undistributed	1,195,878	1,217,466	1,417,104	1,405,137
Non-current liabilities		152,948	488,080	481,278	91,477	305,870
Total liabilities	Before distribution	1,696,752	1,605,254	1,630,395	1,438,556	1,650,735
	After distribution	Undistributed	1,683,958	1,698,744	1,508,581	1,711,007
Capital stock		1,624,076	1,744,076	1,834,076	1,949,076	2,149,076
Capital surplus		4,397	28,226	23,873	33,663	27,955
Retained earnings (accumulated deficit)	Before distribution	539,266	355,707	325,664	338,384	216,937
	After distribution	Undistributed	277,003	257,315	268,359	156,665
Other equity interest		(102,612)	(112,570)	(74,872)	(87,612)	(99,001)
Treasury stock		(173,021)	(273,209)	(273,209)	(273,209)	(259,140)
Total equity	Before distribution	1,892,106	1,742,230	1,835,532	1,960,302	2,035,827
	After distribution	Undistributed	1,663,526	1,767,183	1,890,277	1,975,555

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				
	2019	2018	2017	2016	2015
Operating revenue	3,991,472	2,708,895	2,934,938	3,045,089	3,377,472
Gross profit	674,877	364,548	399,068	500,801	548,851
Income from operations	298,793	50,932	102,666	187,179	217,529
Non-operating income and expenses	2,259	72,426	(38,700)	24,428	96,739
Income before tax	301,052	123,358	63,966	211,607	314,268
Net income	257,325	111,926	54,314	187,772	265,977
Other comprehensive income (loss) (after tax)	17,596	(29,652)	15,731	5,336	(61,315)
Total comprehensive income	274,921	82,274	70,045	193,108	204,662
Earnings per share (NT\$)	1.73	0.71	0.33	1.03	1.25

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
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
2018	KPMG	Po Jen, Yang / Kuo Tsung, Chen	Unmodified opinion plus an emphasis of matter paragraph
2019	KPMG	Po Jen, Yang / Yen Ta, Su	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				
			2019	2018	2017	2016	2015
Financial structure (%)	Debt ratio		46.32	46.70	45.76	40.92	43.74
	Ratio of long-term capital to property, plant and equipment		576.19	504.01	612.87	464.49	450.33
Solvency (%)	Current ratio		193.07	250.28	255.82	208.28	221.72
	Quick ratio		136.81	168.37	183.01	149.59	157.14
	Interest earned ratio (times)		2231.88	1132.36	719.14	1936.29	2065.44
Operating performance	Accounts receivable turnover (times)		7.85	5.62	6.58	7.19	7.34
	Average collection period		46.49	64.94	55.47	50.76	49.72
	Inventory turnover (times)		3.74	2.65	2.93	2.90	2.98
	Accounts payable turnover (times)		7.41	5.81	7.21	7.13	7.24
	Average days in sales		97.59	137.73	124.57	125.86	122.48
	Property, plant and equipment turnover (times)		9.99	6.65	7.07	6.38	6.04
	Total assets turnover (times)		1.16	0.81	0.86	0.88	0.95
Profitability	Return on total assets (%)		7.63	3.52	1.85	5.48	7.66
	Return on stockholders' equity (%)		13.66	6.02	2.81	9.04	12.55
	Pre-tax income to paid-in capital (%)		18.71	7.26	3.66	11.08	14.76
	Profit ratio (%)		6.25	3.98	1.85	5.91	7.67
	Earnings per share (NT\$)		1.73	0.71	0.33	1.03	1.25
Cash flow	Cash flow ratio (%)		25.91	26.44	(8.64)	30.35	27.98
	Cash flow adequacy ratio (%)		215.11	251.01	321.24	483.50	313.85
	Cash reinvestment ratio (%)		6.16	4.06	(Note 2)	6.31	6.49
Leverage	Operating leverage		1.27	2.11	1.83	1.61	1.55
	Financial leverage		1.05	1.25	1.12	1.07	1.07

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

1. Current ratio was lower due to transferring long-term borrowings to current portion for the maturity of syndicated loan on August, 2020. Thus, current liabilities increased by 39.36% to NT\$431,642 thousand than 2018.
2. Accounts receivable turnover, inventory turnover, accounts payable turnover, PP&E turnover and total assets turnover were higher, simultaneously average collection period and average days in sales were lower due to the growing sales of smart home appliance in 2019. Thus, operating revenue greatly increased by 45.72% than 2018, and operating cost increased by 41.34% accordingly.
3. 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 higher due to operating revenue greatly increased by 45.72% than 2018. Further, income before tax increased by 139.99% to NT\$177,271 thousand than 2018 and net income increased by 129.17% to NT\$144,884 thousand were due to the increasing operating revenue and proper control of cost and expenses.
4. Cash reinvestment ratio was higher due to net cash inflows from operating activities increased by 36.61% to NT\$106,164 thousand and working capital decreased by 13.69% to NT\$225,549 thousand than 2018 for maturing syndicated loan listed as current liabilities.
5. Operating leverage was lower due to operating income greatly increased by 415.99% than 2018. It resulted from the increasing operating revenue and proper control of cost and expenses.

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	Year	Financial Analysis for the Last Five Years				
		2019	2018	2017	2016	2015
Financial structure (%)	Debt ratio	47.27	47.95	46.85	42.32	44.78
	Ratio of long-term capital to property, plant and equipment	661.72	654.99	713.94	535.61	516.78
Solvency (%)	Current ratio	184.78	237.35	241.89	195.53	211.12
	Quick ratio	135.50	168.78	183.68	147.21	160.69
	Interest earned ratio (times)	2374.66	1106.26	690.20	1899.69	2048.95
Operating performance	Accounts receivable turnover (times)	6.68	4.61	5.30	5.50	5.67
	Average collection period	54.64	79.35	68.87	66.36	64.37
	Inventory turnover (times)	4.27	3.10	3.50	3.46	3.69
	Accounts payable turnover (times)	8.41	6.79	8.71	8.48	9.00
	Average days in sales	85.48	116.99	104.29	105.49	98.92
	Property, plant and equipment turnover (times)	12.28	8.15	8.30	7.28	6.92
	Total assets turnover (times)	1.15	0.80	0.86	0.86	0.94
Profitability	Return on total assets (%)	7.72	3.57	1.85	5.58	7.81
	Return on stockholders' equity (%)	14.16	6.26	2.86	9.40	13.01
	Pre-tax income to paid-in capital (%)	18.53	7.07	3.49	10.86	14.62
	Profit ratio (%)	6.44	4.13	1.85	6.17	7.88
	Earnings per share (NT\$)	1.73	0.71	0.33	1.03	1.25
Cash flow	Cash flow ratio (%)	22.43	23.61	(5.49)	28.75	26.82
	Cash flow adequacy ratio (%)	226.85	281.72	317.74	442.62	297.00
	Cash reinvestment ratio (%)	5.67	3.79	(Note 2)	6.39	6.67
Leverage	Operating leverage	1.23	2.24	1.72	1.52	1.57
	Financial leverage	1.05	1.32	1.12	1.07	1.08

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

- Current ratio was lower due to transferring long-term borrowings to current portion for the maturity of syndicated loan on August, 2020. Thus, current liabilities increased by 38.19% to NT\$426,630 thousand than 2018.
- Accounts receivable turnover, inventory turnover, accounts payable turnover, PP&E turnover and total assets turnover were higher, simultaneously average collection period and average days in sales were lower due to the growing sales of smart home appliance in 2019. Thus, operating revenue greatly increased by 47.35% than 2018, and operating cost increased by 41.47% accordingly.
- 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 higher due to operating revenue greatly increased by 47.35% than 2018. Further, income before tax increased by 144.05% to NT\$177,694 thousand than 2018 and net income increased by 129.91% to NT\$145,399 thousand were due to the increasing operating revenue and proper control of cost and expenses.
- Cash reinvestment ratio was higher due to net cash inflows from operating activities increased by 31.33% to NT\$82,611 thousand and working capital decreased by 14.70% to NT\$225,548 thousand than 2018 for maturing syndicated loan listed as current liabilities.
- Operating leverage was lower due to operating income greatly increased by 486.65% than 2018. It resulted from the increasing operating revenue and proper control of cost and expenses.
- Financial leverage was lower due to operating income greatly increased by 486.65% to NT\$247,861 thousand than 2018.

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 2019. Of the said documents, the financial statements have been duly audited by Certified Public Accountants Po Jen, Yang and Yen Ta, Su 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:

2020 Shareholders' Meeting of the Company

Emerging Display Technologies Corp.

Supervisor: Lin, Yu-Fen



Supervisor: Tseng, Shu-Ling



Supervisor: Ting, Hung-Hsun



March 17, 2020

6.4 Consolidated financial statements for the years ended December 31, 2019 and 2018, 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, 2019, 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.

By

Ray Tseng

Chairman

March 10, 2020

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, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 of the consolidated financial statements for inventories and accounting estimate of inventory valuation, respectively. Information regarding the inventory is shown in Note 6(f) 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 products which may result to have an impact on its inventory cost. As a result, there is a risk that the net realizable value of inventory may turn out to be lower than 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 assessing the reasonableness of the provision. Moreover, we assess 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, we also assessed the appropriateness of the provisions and disclosures made by the management.

2. Accounts receivable

Please refer to Note 4(g) of the consolidated financial statement for receivable. Information regarding the account receivable impairment assessment is shown in Note 6 (d) of the consolidated financial statements.

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, financial statements users value collection results. Also, the amount of accounts receivable is significant to financial statements. 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 and collection with customers; analyzing the receivable aging report; reviewing the historical receipt and bad debt records, industrial economy, and concentration of credit risk of the customers; evaluating the reasonableness of expected credit loss policy, and evaluating the appropriateness of related disclosures.

Other Matters

We have also audited the parent company only financial statements of Emerging Display Technologies Corp. as of and for the year ended December 31, 2019 and 2018, 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 misstatements, 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:

1. 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.
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 Group'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 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, we have 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.

5. 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 Yen Ta, Su.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2020

Notes to Readers

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

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated 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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	2019.12.31		2018.12.31		Liabilities and Equity	2019.12.31		2018.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (Note 6(a))	\$ 1,368,252	38	1,029,113	30	Short-term loans (Notes 6(m))	\$ 400,000	11	370,000	11
Financial assets at fair value through profit or loss, current (Note 6(b))	54,094	1	126,459	4	Financial liabilities at fair value through profit or loss, current (Notes 6(b))	994	-	-	-
Financial assets at fair value through other comprehensive income, current (Note 6(c))			203,906	6	Notes payable	307	-	720	-
	109,554	3			Accounts payable	431,437	12	459,356	14
Accounts receivable, net (Note 6(d) and 6 (u))	537,591	15	468,844	14	Other payables	283,605	8	237,415	7
Other receivables (Note 6(e) and 6(y))	18,684	-	15,840	-	Income tax liabilities	57,038	2	14,199	-
Income tax assets	95	-	630	-	Lease liabilities, current (Notes 6(o))	11,907	-	-	-
Inventories (Note 6(f))	803,035	22	844,538	25	Long-term loans, current portion (Notes 6(n) and 8)	319,555	9	-	-
Other current assets (Note 6(g) and 8)	59,389	2	55,271	2	Other current liabilities (Notes 6(u))	23,398	-	14,909	-
Total current assets	2,950,694	81	2,744,601	81	Total current liabilities	1,528,241	42	1,096,599	32
Non-current assets:					Non-current liabilities:				
Financial assets at fair value through other comprehensive income, non-current (Note 6(c))			152,526	5	Long-term loans (Notes 6(n) and 8)	-	-	398,888	12
	140,762	4			Deferred income tax liabilities (Note 6(r))	-	-	932	-
Property, plant and equipment (Notes 6(i) ,6(k) and 8)	365,955	10	455,838	13	Lease liabilities, non-current (Notes 6(o))	66,575	2	-	-
Right-of-use assets (Notes 6(j))	77,207	2	-	-	Net defined benefit liabilities, non-current (Note 6(q))	88,546	2	88,226	3
Investment property (Notes 6(i) ,6(k) and 6(p))	57,834	2	-	-	Guarantee deposits received	587	-	264	-
Intangible assets (Note 6(l))	3,777	-	2,471	-	Other non-current liabilities	936	-	-	-
Deferred income tax assets (Note 6(r))	33,003	1	28,132	1	Total non-current liabilities	156,644	4	488,310	15
Other non-current financial assets (Notes 6(g) and 8)	7,634	-	10,500	-	Total liabilities	1,684,885	46	1,584,909	47
Total non-current assets	686,172	19	649,467	19	Equity attributable to shareholders of the parent (Note 6 (s)):				
					Common stock	1,624,076	45	1,744,076	51
					Capital surplus	4,397	-	28,226	1
					Retained earnings	539,266	15	355,707	10
					Other equity interest	(102,612)	(3)	(112,570)	(3)
					Treasury stock	(173,021)	(5)	(273,209)	(8)
					Total equity attributable to shareholders of the parent	1,892,106	52	1,742,230	51
					Non-controlling interests(Note 6(h))	59,875	2	66,929	2
					Total equity	1,951,981	54	1,809,159	53
TOTAL	\$ 3,636,866	100	3,394,068	100	TOTAL	\$ 3,636,866	100	3,394,068	100

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Operating revenue (Note 6(u))	\$ 4,107,559	100	2,818,735	100
Operating cost (Note 6(f , l, p, q & v) and 12)	3,306,539	80	2,339,384	83
Gross profit	801,020	20	479,351	17
Operating expenses (Note 6(d, l, p, q & v) 7 and 12):				
Selling expenses	244,031	6	188,586	7
General and administrative expenses	132,038	3	127,386	4
Research and development expenses	112,855	3	103,245	4
Expected credit impairment loss	(1,560)	-	1,244	-
Total operating expenses	487,364	12	420,461	15
Net other income (expenses) (Note 6(p, w))	934	-	2,078	-
Operating profit	314,590	8	60,968	2
Non-operating income and expenses(Note 6(x)):				
Other income	32,661	1	34,829	1
Other gains and losses	(29,096)	(1)	43,098	2
Finance costs	(14,255)	-	(12,266)	-
Total Non-operating income and expenses	(10,690)	-	65,661	3
Profit before income tax	303,900	8	126,629	5
Income tax expense (Note 6(r))	46,853	1	14,466	1
Profit	257,047	7	112,163	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit obligation (Note 6(q))	(2,876)	-	(7,672)	-
Unrealized losses on investments in equity instruments at fair value through other comprehensive income (Note 6(s))	19,699	-	(21,734)	(1)
Less: Income tax related to items that will not be reclassified subsequently (Note 6(r))	-	-	-	-
	16,823	-	(29,406)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation(Note 6(s))	(6,003)	-	337	-
Less: Income tax related to items that will be reclassified subsequently (Note 6(r))	-	-	-	-
	(6,003)	-	337	-
Other comprehensive income, net	10,820	-	(29,069)	(1)
Comprehensive income	267,867	7	83,094	3
Profit (loss) attributable to				
Shareholders of the parent	257,325	7	111,926	4
Non-controlling interests	(278)	-	237	-
Net Profit (loss)	257,047	7	112,163	4
Comprehensive income attributable to				
Shareholders of the parent	274,921	7	82,274	3
Non-controlling interests	(7,054)	-	820	-
Total comprehensive income	\$ 267,867	7	83,094	3
Earnings per share (New Taiwan Dollars) (Note 6(t)):				
Basic earnings per share	\$ 1.73		0.71	
Diluted earnings per share	\$ 1.72		0.71	

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 Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of parent											Non-controlling interests	Total Equity
	Retained earnings					Other equity interest							
	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains(losses) on available-for-sale financial assets	Treasury stock	Total equity attributable to shareholders of parent			
Balance at January 1, 2018	\$ 1,834,076	23,873	40,391	123,710	161,563	(8,709)	-	(66,163)	(273,209)	1,835,532	82,030	1,917,562	
Effects of retrospective application	-	-	-	-	(8,314)	-	(79,429)	66,163	-	(21,580)	(14,820)	(36,400)	
Balance on January 1, 2018 after adjustments	1,834,076	23,873	40,391	123,710	153,249	(8,709)	(79,429)	-	(273,209)	1,813,952	67,210	1,881,162	
Profit	-	-	-	-	111,926	-	-	-	-	111,926	237	112,163	
Other comprehensive income	-	-	-	-	(7,672)	438	(22,418)	-	-	(29,652)	583	(29,069)	
Total comprehensive income	-	-	-	-	104,254	438	(22,418)	-	-	82,274	820	83,094	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	5,431	-	(5,431)	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(68,349)	-	-	-	-	(68,349)	-	(68,349)	
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	-	-	-	-	-	(89,237)	(89,237)	-	(89,237)	
Retirement of treasury stock	(90,000)	763	-	-	-	-	-	89,237	-	-	-	-	
Cash dividends to subsidiaries	-	3,590	-	-	-	-	-	-	-	3,590	-	3,590	
Cash dividends distribution of subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,101)	(1,101)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,452	-	(2,452)	-	-	-	-	-	
Balance at December 31, 2018	1,744,076	28,226	45,822	109,212	200,673	(8,271)	(104,299)	-	(273,209)	1,742,230	66,929	1,809,159	
Profit	-	-	-	-	257,325	-	-	-	-	257,325	(278)	257,047	
Other comprehensive income	-	-	-	-	(2,876)	(5,840)	26,312	-	-	17,596	(6,776)	10,820	
Total comprehensive income	-	-	-	-	254,449	(5,840)	26,312	-	-	274,921	(7,054)	267,867	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	11,193	-	(11,193)	-	-	-	-	-	-	-	
Cash dividends of common stock	-	-	-	-	(78,704)	-	-	-	-	(78,704)	-	(78,704)	
Special reserve	-	-	-	42,095	(42,095)	-	-	-	-	-	-	-	
Purchase of treasury stock	-	-	-	-	-	-	-	-	(50,738)	(50,738)	-	(50,738)	
Retirement of treasury stock	(120,000)	(28,226)	-	-	(2,700)	-	-	-	150,926	-	-	-	
Cash dividends to subsidiaries	-	4,397	-	-	-	-	-	-	-	4,397	-	4,397	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,514	-	(10,514)	-	-	-	-	-	
Balance at December 31, 2019	1,624,076	4,397	57,015	151,307	330,944	(14,111)	(88,501)	-	(173,021)	1,892,106	59,875	1,951,981	

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities		
Profit before tax	\$ 303,900	126,629
Adjustments :		
Adjustments to reconcile profit (loss):		
Depreciation expense	83,955	66,363
Amortization expense	1,055	3,190
Expected credit impairment (gain) loss	(1,560)	1,244
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(4,809)	7,139
Interest expense	14,255	12,266
Interest income	(20,472)	(17,316)
Dividend income	(8,716)	(12,926)
Gain on disposal of property, plant, equipment	(568)	(4,152)
Unrealized foreign exchange loss (gain)	31,256	(5,410)
Total adjustments to reconcile profit	94,396	50,398
Changes in operating assets and liabilities		
Changes in operating assets:		
Accounts receivable	(77,928)	28,170
Other accounts receivable	4,957	779
Inventories	38,403	(58,698)
Other current assets	(5,599)	(9,924)
Total net changes in operating assets	(40,167)	(39,673)
Net changes in operating liabilities:		
Notes payable	(413)	(421)
Accounts payable	(19,702)	115,954
Other payables	44,049	37,634
Other current liabilities	9,712	(4,826)
Net defined benefit liability	(2,556)	(2,444)
Other non-current liabilities	936	-
Total net change in operating liabilities	32,026	145,897
Total net change in operating assets and liabilities	(8,141)	106,224
Total adjustments	86,255	156,622
Cash inflow generated from (used in) operating activities	390,155	283,251
Interest received	19,869	17,399
Dividends received	8,716	12,926
Interest paid	(13,376)	(11,457)
Income taxes paid	(9,245)	(12,164)
Net cash flows from (used in) operating activities	396,119	289,955
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(98,356)
Proceeds from disposal of financial assets at fair value through other comprehensive income	121,298	22,405
Acquisition of financial assets at fair value through profit or loss	(95,030)	(58,780)
Proceeds from disposal of financial assets at fair value through profit or loss	173,198	189,195
Acquisition of property, plant and equipment	(37,320)	(118,670)
Proceeds from disposal of property, plant, equipment	568	4,214
Prepayments on long-term equity investment	-	(2,700)
Acquisition of intangible assets	(2,361)	(2,121)
Other financial assets	(22)	4,350
Net cash flows from (used in) investing activities	160,331	(60,463)
Cash flows from (used in) financing activities:		
Short-term loans	30,000	(187,000)
Repayments of long-term loans	(80,000)	-
Increase in guarantee deposits received	339	225
Cash dividends	(74,307)	(65,859)
Payments to acquire treasury stock	(50,738)	(89,237)
Repayment of lease liabilities	(12,826)	-
Net cash flows from (used in) financing activities	(187,532)	(341,871)
Effects of changes in foreign exchange rates	(29,779)	(7,228)
Net increase (decrease) in cash and cash equivalents	339,139	(119,607)
Cash and cash equivalents at beginning of year	1,029,113	1,148,720
Cash and cash equivalents at end of year	\$ 1,368,252	1,029,113

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
Notes to consolidated financial statements
For the years ended December 31, 2019 and 2018
(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 10, 2020.

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

(a) 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, 2019:

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

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

IFRS 16 “Leases”

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

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

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

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(k).

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

(ii) As a lessee

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

The Group had chosen to apply the exemption of the short-term lease for the leased machines and equipment.

Leases classified as operating leases under IAS 17

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

In addition, the Group used the following practical expedients when applying IFRS 16 to leases:

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

(iii) As a lessor

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

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

(iv) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$90,510 of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.8073%.

The amount of the operating lease commitments disclosed in the previous year prior to the initial application date and the amount of the lease liability recognized on the initial application date are adjusted as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 50,292
Extension and termination options reasonably certain to be exercised	80,223
	\$ 130,515
Lease liability recognized on January 1, 2019	\$ 90,510

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The abovementioned new standards and amendments issued by the FSC will not have any material impact to the Group.

(c) 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 have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

(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 and Note 4(k), 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 been 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).

(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) Fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liability is recognized as the present value of the defined benefit obligation less fair value of pension fund 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.

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

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.

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

Name of investor	Name of the subsidiary	Business activity	Percentage ownership		Remarks
			December 31, 2019	December 31, 2018	
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	Customer service and business support	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.	Customer service and business support	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.

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

(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. At the end of each subsequent reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated 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.

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

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

(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:

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

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

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

- (i) The liability is expected to be settled in the normal operating cycle;
- (ii) The liability is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period;
- (iv) 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.

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

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

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, amount and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on its financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, refundable deposits and other financial assets) and debt investment measured at fair value through other comprehensive income (FVOCI).

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

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7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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5) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the 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

The Group to held derivative financial instruments is held to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(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 a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, 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 cost less accumulated depreciation and accumulated impairment loss.

Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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(ii) Subsequent cost

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

(iii) Depreciation

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

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	2~50	years
Machinery and equipment	2~10	years
Furniture and fixtures	3~5	years
Other equipment	1~10	years

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

(iv) Reclassification to investment property

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

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset-this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset if either:
 - the Group has the right to direct the use of the identified asset when it has the decision-making rights that are most relevant to the changes on how and for what purpose the asset is used throughout the period.
 - the decision on how and for what purpose, the asset is used is predetermined:
 - the Group has the right to operate the asset and the providers do not have the right to vary; or
 - the Group designed the asset in a way that predetermines how and for what purpose, it will be used.

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At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, at the time of lease of land and construction, the Group chooses to treat the lease component and the non-lease component as part of a single lease without distinguishing between non-lease components.

(ii) As a lessee

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

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

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

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

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

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

- 1) there is a change in future lease payments arising from the change in an index or rate;
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;
- 3) there is a change in the assessment regarding the purchase options;
- 4) there is a change of its assessment on whether it will exercise an extension or termination option;
- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

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

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

The Group presents right-of-use assets and lease liabilities that do not meet the definition of investment as a separate line item respectively in the balance sheets.

For short-term lease of office equipment and low-value underlying asset lease, the Group chooses not to recognize the right-of-use asset and lease liability, and the related lease payments are recognized as expenses on a straight-line method over the lease term.

(iii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

Applicable before January 1, 2019

(i) The Group as lessor

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. 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) 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.

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(l) Intangible assets

(i) Recognition and measurement

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

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

Other intangible assets that are acquired by the Group include patents and computer software costs are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful life of intangible assets for the current and comparative periods is as follows:

Patents	9~20 years
Computer software cost	3 months~4 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if it's necessary.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

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

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

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

(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.

(o) Revenue

(i) Revenue from contracts with customers

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

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

1) Sale of good

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

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

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

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

2) Financing components

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

(ii) Contract cost with customers

1) Incremental cost of obtaining a contract

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

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2) Costs to fulfil a contract

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

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

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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(iii) Termination benefits

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

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

(q) Share-based payment

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

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

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

(r) Income taxes

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

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

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

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

- (i) 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
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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

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

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) The same taxable entity; or
 - 2) 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; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

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

(t) 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.

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(5) Significant accounting assumptions and judgments, and major sources of estimates 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 that have a significant risk of resulting in a material adjustment within the next financial year is valuation of inventory. 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 offset 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(f).

(6) Explanation of Significant Accounts

(a) Cash and cash equivalents

	<u>2019.12.31</u>	<u>2018.12.31</u>
Cash and cash equivalents	\$ 366	268
Demand deposits	272,823	220,110
Check deposits	15	440
Time deposits	1,063,943	777,363
Repurchase agreement	<u>31,105</u>	<u>30,932</u>
Total	<u>\$ 1,368,252</u>	<u>1,029,113</u>

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

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

Current financial assets mandatorily measured at fair value through profit or loss:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Open-end mutual funds	\$ 54,018	126,080
Swap contract	<u>76</u>	<u>379</u>
Total	<u>\$ 54,094</u>	<u>126,459</u>

Current financial liabilities measured at fair value through profit or loss:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Swap contract	<u>\$ 994</u>	<u>-</u>

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

The abovementioned financial assets were not pledged as collateral.

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

	<u>2019.12.31</u>		
	<u>Contract amount (Thousand Dollar)</u>	<u>Currency</u>	<u>Maturity period</u>
Swap contract	USD 5,000	TWD to USD	2020.01.17~2020.03.31
	<u>2018.12.31</u>		
	<u>Contract amount (Thousand Dollar)</u>	<u>Currency</u>	<u>Maturity period</u>
Swap contract	USD 3,000	TWD to USD	2019.01.22~2019.03.04

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

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

	2019.12.31	2018.12.31
Equity instruments at fair value through other comprehensive income-current:		
Common stocks listed on domestic markets -current:		
Innolux Corp.	\$ 9,555	11,150
Fubon Financial Holding Co., Ltd	13,920	14,115
E.SUN Financial Holding Co., Ltd.	-	29,864
Radiant Opto Electronics Corp.	-	21,125
Taiwan Cement Corp., Ltd.	-	11,748
Synnex Technology International Co. , Ltd.	17,175	16,671
King Yuan Electronics Co., Ltd.	-	24,854
Nan Ya Plastics Corporation	15,288	15,855
Pegatron Co., Ltd.	14,775	11,102
Mega Financial Holding Co., Ltd	-	14,403
CoAsia Electronics Corp.	5,055	4,265
Shian Yih Electronic Co., Ltd.	33,064	28,059
AGV Products Corporation	722	695
Total	\$ 109,554	203,906
Equity instruments at fair value through other comprehensive income-noncurrent:		
Common stocks unlisted on domestic markets - non-current:		
Ascendax Venture Capital Corp.	\$ 15,832	11,388
Chenfeng Optronics Corp.	124,040	140,280
Total	139,872	151,668
Preference stocks listed on domestic markets - non-current:		
Fubon Financial Holding Co., Ltd	890	858
Total	\$ 140,762	152,526

The purpose that the Group invests in the abovementioned equity instruments is for long term strategies, but rather for trading purpose, and therefore, is accounted for as FVOCI.

For the years ended December 31, 2019 and 2018, the Group has recognized the dividend income of \$8,716 and \$12,926 from equity instruments designated at fair value through other comprehensive income, respectively,

For the years ended December 31, 2019 and 2018, the Group with the objective of investment and financial management had sold financial assets at fair value of \$128,516 and \$22,496, and accumulated gain on disposal of investments were \$10,514 and \$2,452, which had been reclassified from other equity interest to retained earnings, respectively.

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

The abovementioned financial assets were not pledged as collateral.

For the purpose of increasing investment profits, the Group entrusts partial listed companies as the beneficiary. According to the terms of the contract, the Group does not transfer risk and remuneration of these financial assets, and they had not been derecognized. As of December 31, 2019, and 2018, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$9,555 and \$32,275, respectively.

(d) Accounts receivable

	<u>2019.12.31</u>	<u>2018.12.31</u>
Accounts receivables-measured at amortized cost	\$ 556,362	489,171
Allowance for impairment	<u>(18,771)</u>	<u>(20,327)</u>
	<u>\$ 537,591</u>	<u>468,844</u>

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

	<u>2019.12.31</u>		
	<u>Carrying amount of Accounts Receivable</u>	<u>Weighted-average expected credit loss rate</u>	<u>Loss allowance for lifetime expected credit losses</u>
Not over due	\$ 392,384	-	-
Overdue less than 90 days	144,425	-	-
Overdue 91~180 days	782	-	-
Overdue 181~270 days	-	-	-
Overdue 271~365 days	-	-	-
Overdue over 365 days	<u>18,771</u>	100.00%	<u>18,771</u>
	<u>\$ 556,362</u>		<u>18,771</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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	2018.12.31		
	Carrying amount of Accounts Receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 359,833	-	-
Overdue less than 90 days	106,282	0.51%	545
Overdue 91~180 days	3,285	0.33%	11
Overdue 181~270 days	77	100.00%	77
Overdue 271~365 days	-	-	-
Overdue over 365 days	19,694	100.00%	19,694
	\$ 489,171		20,327

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

	For the years ended December 31	
	2019	2018
Balance at January 1	\$ 20,327	22,644
Recognition (reversal) of impairment loss	(1,560)	1,244
Effect of changes in foreign currency exchange rates	4	12
Written off unrecoverable amount	-	(3,573)
Ending balance	\$ 18,771	20,327

The abovementioned financial assets were not pledged as collateral.

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

(e) Other receivables

	2019.12.31	2018.12.31
Loans to employee	\$ 8,834	14,415
Receivable resulting from selling equity investments at fair value through other comprehensive income	7,218	-
Others	2,632	1,425
Allowance for impairment	-	-
	\$ 18,684	15,840

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

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(f) Inventories

	<u>2019.12.31</u>	<u>2018.12.31</u>
Raw materials and supplies	\$ 246,804	276,384
Work in process	293,737	284,561
Finished goods	251,522	273,436
Inventories in transit	<u>10,972</u>	<u>10,157</u>
Total	<u>\$ 803,035</u>	<u>844,538</u>

The details of cost of sales are as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Reclassification to cost of sales and expenses	\$ 3,201,298	2,250,198
Inventory loss of write-down (gain on reversal of inventory)	(3,905)	(15,139)
Unamortized manufacturing expenses	18,253	25,934
Loss on scrap	91,260	78,727
Others	<u>(367)</u>	<u>(336)</u>
Total	<u>\$ 3,306,539</u>	<u>2,339,384</u>

The above gain from price recovery of inventory was due to, the previous write-down inventories had been sold, therefore, the net realizable value of inventories lowered than cost was no longer existed, the reversal was recorded as operating costs.

Inventories were not pledged as collaterals.

(g) Other current assets:

The details of other current assets are as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Prepayment for purchases	\$ 39,259	30,987
Prepaid expense	5,374	6,110
Prepaid sales tax	6,438	11,458
Restricted time deposits	2,096	2,102
Refundable deposits	7,080	7,234
Prepaid investment	-	2,700
Others	<u>6,776</u>	<u>5,180</u>
	<u>\$ 67,023</u>	<u>65,771</u>
Book as:		
Other current assets	\$ 59,389	55,271
Other financial assets-non-current	<u>7,634</u>	<u>10,500</u>
	<u>\$ 67,023</u>	<u>65,771</u>

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The abovementioned other financial assets pledged were restricted time deposits and refundable deposits as collateral for loans were disclosed in Note 8.

(h) Major 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>2019.12.31</u>	<u>2018.12.31</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>2019.12.31</u>	<u>2018.12.31</u>
Current asset	\$ 10,102	10,206
Non-current asset	106,320	120,240
Current liability	(50)	(50)
Net asset	<u>\$ 116,372</u>	<u>130,396</u>
Non-controlling equity closing book amount	<u>\$ 55,277</u>	<u>61,939</u>

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue	<u>\$ 5</u>	<u>6</u>
Net profit(loss)	\$ (104)	(108)
Other comprehensive income	(13,920)	1,440
Comprehensive income	<u>\$ (14,024)</u>	<u>1,332</u>
Profit attributable to non-controlling interest	<u>\$ (49)</u>	<u>(51)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (6,662)</u>	<u>633</u>

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash flow from operating activities	\$ (104)	(239)
Cash flow from investing activities	-	-
Cash flow from financing activities	-	(2,317)
Net increase(decrease) in cash and cash equivalents	<u>\$ (104)</u>	<u>(2,556)</u>

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

	<u>2019.12.31</u>	<u>2018.12.31</u>
Current asset	\$ 149,362	133,725
Non-current asset	22,731	13,225
Current liability	(61,550)	(28,132)
Non-current liabilities	<u>(1,068)</u>	<u>-</u>
Net asset	<u>\$ 109,475</u>	<u>118,818</u>
Non-controlling equity closing book amount	<u>\$ 4,598</u>	<u>4,990</u>

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue	<u>\$ 210,727</u>	<u>278,749</u>
Net profit(loss)	\$ (5,447)	6,872
Other comprehensive income	<u>(3,896)</u>	<u>(2,426)</u>
Comprehensive income	<u>\$ (9,343)</u>	<u>4,446</u>
Profit attributable to non-controlling interest	<u>\$ (229)</u>	<u>288</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (392)</u>	<u>187</u>

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash flow from operating activities	\$ 16,337	6,947
Cash flow from investing activities	(5,467)	(1,832)
Cash flow from financing activities	(6,019)	-
Effects of changes in foreign exchange rates	<u>(427)</u>	<u>(131)</u>
Net increase(decrease) in cash and cash equivalents	<u>\$ 4,424</u>	<u>4,984</u>

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Other</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2019	\$ 74,709	1,026,177	2,398,090	28,164	148,931	3,676,071
Additions	-	5,896	4,185	678	30,039	40,798
Reclassification to investment property	(50,323)	(16,258)	-	-	-	(66,581)
Reclassification	-	33,653	9,017	-	(42,670)	-
Disposals	-	-	(19,561)	(242)	(2,575)	(22,378)
Effect of movements in exchange rates	<u>815</u>	<u>(1,918)</u>	<u>(7,534)</u>	<u>(269)</u>	<u>(249)</u>	<u>(9,155)</u>
Balance at December 31, 2019	<u>\$ 25,201</u>	<u>1,047,550</u>	<u>2,384,197</u>	<u>28,331</u>	<u>133,476</u>	<u>3,618,755</u>

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	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Balance at January 1, 2018	\$ 47,370	993,922	2,570,386	31,291	98,296	3,741,265
Additions	25,343	19,698	5,944	392	77,014	128,391
Reclassification	-	14,410	7,479	-	(21,889)	-
Disposals	-	(1,742)	(181,205)	(3,605)	(4,363)	(190,915)
Effect of movements in exchange rates	1,996	(111)	(4,514)	86	(127)	(2,670)
Balance at December 31, 2018	<u>\$ 74,709</u>	<u>1,026,177</u>	<u>2,398,090</u>	<u>28,164</u>	<u>148,931</u>	<u>3,676,071</u>
Depreciation:						
Balance at January 1, 2019	\$ -	790,562	2,332,102	26,642	70,927	3,220,233
Depreciation	-	16,617	25,411	772	26,869	69,669
Reclassification to investment property	-	(5,419)	-	-	-	(5,419)
Disposals	-	-	(19,561)	(242)	(2,575)	(22,378)
Effect of movements in exchange rates	-	(1,624)	(7,268)	(245)	(168)	(9,305)
Balance at December 31, 2019	<u>\$ -</u>	<u>800,136</u>	<u>2,330,684</u>	<u>26,927</u>	<u>95,053</u>	<u>3,252,800</u>
Balance at January 1, 2018	\$ -	766,947	2,486,900	29,346	66,661	3,349,854
Depreciation	-	14,656	30,777	828	20,102	66,363
Reclassification	-	11,390	-	-	(11,390)	-
Disposals	-	(1,742)	(181,143)	(3,605)	(4,363)	(190,853)
Effect of movements in exchange rates	-	(689)	(4,432)	73	(83)	(5,131)
Balance at December 31, 2018	<u>\$ -</u>	<u>790,562</u>	<u>2,332,102</u>	<u>26,642</u>	<u>70,927</u>	<u>3,220,233</u>
Carrying amount:						
Balance at December 31, 2019	<u>\$ 25,201</u>	<u>247,414</u>	<u>53,513</u>	<u>1,404</u>	<u>38,423</u>	<u>365,955</u>
Balance at January 1, 2018	<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 December 31, 2018	<u>\$ 74,709</u>	<u>235,615</u>	<u>65,988</u>	<u>1,522</u>	<u>78,004</u>	<u>455,838</u>

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

ii. Reclassification to investment property

The Group signed lease contract in August 2019, and the term of the lease start from October 2019. Reclassified to investment property per its book value at the time of change of use. Please refer to Note 6(k).

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

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(j) Right-of-use assets

The movements in the cost and depreciation of the leased land, buildings, transportation equipment were as follows:

	Land	Building and construction	Transportation equipment	Total
Right-of-use assets cost:				
Balance at January 1, 2019	\$ 67,226	23,065	219	90,510
Additions	-	1,589	-	1,589
Effect of changes in foreign exchange rates	-	(1,145)	(5)	(1,150)
Balance at December 31, 2019	<u>\$ 67,226</u>	<u>23,509</u>	<u>214</u>	<u>90,949</u>
Depreciation:				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	2,757	11,227	132	14,116
Effect of changes in foreign exchange rates	-	(370)	(4)	(374)
Balance at December 31, 2019	<u>\$ 2,757</u>	<u>10,857</u>	<u>128</u>	<u>13,742</u>
Carrying amount:				
Balance at December 31, 2019	<u>\$ 64,469</u>	<u>12,652</u>	<u>86</u>	<u>77,207</u>
Balance at January 1, 2019	<u>\$ 67,226</u>	<u>23,065</u>	<u>219</u>	<u>90,510</u>

The Group leases offices and warehouses, and factory equipment, under operating leases, for the years ended December 31, 2018; please refer to Note 6(p).

(k) Investment property

Investment property includes assets owned by the Group and operating leasing such as office buildings leased to third party. Based on original lease terms of investment property, non-cancellable lease term is four years and the lessee has the right to upon expiry. Subsequent lease term will consult with the lessee and didn't charge contingent rental. Please refer to Note 6(w) for information of the rental income.

Rental income of leased investment property has a fixed amount.

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Investment property cost and depreciation of the Group were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2019	\$ -	-	-
Reclassification from property, plant and equipment	50,323	16,258	66,581
Effect of changes in foreign exchange rates	<u>(2,603)</u>	<u>(840)</u>	<u>(3,443)</u>
Balance at December 31, 2019	<u>\$ 47,720</u>	<u>15,418</u>	<u>63,138</u>
Depreciation:			
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	-	170	170
Reclassification from property, plant and equipment	-	5,419	5,419
Effect of changes in foreign exchange rates	<u>-</u>	<u>(285)</u>	<u>(285)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>5,304</u>	<u>5,304</u>
Carrying amount:			
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 47,720</u>	<u>10,114</u>	<u>57,834</u>
Fair value:			
Balance at December 31, 2019			<u>\$ 66,945</u>

The lease contract of investment property was signed by the Group in August 2019. The original office building of the USA subsidiary was leased to a third party from October 2019, and reclassified from property, plant and equipment to investment property, please refer to Note 6(i).

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. As of December 31, 2019, the yields applied to the net annual rentals to determine the fair value of investment property were 5.5%, its fair value evaluation technology makes the input value belong level 3.

As of December 31, 2019, the investment property was not pledged as collateral.

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(I) Intangible assets

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

	<u>Patent and other</u>	<u>Computer software cost</u>	<u>Total amount</u>
Initial cost:			
Balance as of January 1, 2019	\$ 4,141	5,819	9,960
Individual acquisition	139	2,222	2,361
Disposals	(723)	-	(723)
Effects of changes in foreign exchange rates	-	(23)	(23)
Balance as of December 31, 2019	<u>\$ 3,557</u>	<u>8,018</u>	<u>11,575</u>
Balance as of January 1, 2018	\$ 3,899	4,315	8,214
Individual acquisition	279	1,842	2,121
Disposals	(37)	(358)	(395)
Effects of changes in foreign exchange rates	-	20	20
Balance as of December 31, 2018	<u>\$ 4,141</u>	<u>5,819</u>	<u>9,960</u>
Amortization:			
Accumulated balance as of January 1, 2019	\$ 2,438	5,051	7,489
Amortization	422	633	1,055
Disposals	(723)	-	(723)
Effects of changes in foreign exchange rates	-	(23)	(23)
Accumulated balance as of December 31, 2019	<u>\$ 2,137</u>	<u>5,661</u>	<u>7,798</u>
Accumulated balance as of January 1, 2018	\$ 1,897	2,777	4,674
Amortization	578	2,612	3,190
Disposals	(37)	(358)	(395)
Effects of changes in foreign exchange rates	-	20	20
Accumulated balance as of December 31, 2018	<u>\$ 2,438</u>	<u>5,051</u>	<u>7,489</u>
Book value:			
Balance as of December 31, 2019	<u>\$ 1,420</u>	<u>2,357</u>	<u>3,777</u>
Balance as of January 1, 2018	<u>\$ 2,002</u>	<u>1,538</u>	<u>3,540</u>
Balance as of December 31, 2018	<u>\$ 1,703</u>	<u>768</u>	<u>2,471</u>

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

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating cost	\$ 562	792
Operating expense	493	2,398
	<u>\$ 1,055</u>	<u>3,190</u>

Intangible assets were not pledged as collateral.

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(m) Short-term loans

The details of short-term loans were as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Unsecured bank loans	\$ <u>400,000</u>	<u>370,000</u>
Unused lines of credit	\$ <u>1,272,106</u>	<u>1,315,911</u>
Range of interest rates	<u>0.95%~1.04%</u>	<u>0.95%~1.05%</u>

Please refer to Note 8 for assets pledged as collateral for short-term loans.

As of December 31, 2019 and 2018, The Group's acceptance credit for purchases of raw materials amounted to \$1,659 and \$6,374, respectively.

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

(n) Long-term loans

The details of long-term loans were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loans	\$ 320,000	400,000
Less: discount on long-term loans	(445)	(1,112)
Total	<u>\$ 319,555</u>	<u>398,888</u>
Recognized in:		
Long-term loans, current portion	\$ 319,555	-
Long-term loans	-	398,888
	<u>\$ 319,555</u>	<u>398,888</u>
Unused long-term credit lines	<u>\$ 320,000</u>	<u>400,000</u>
Range of interest rates	<u>1.8085%</u>	<u>1.8019%</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 three-year term with cycle use lines of credit. The credit line will decrease every 6 months since two years after the first appropriation date. The first and second phase will decrease by 20% of the effective credit line, and the third phase will decrease by 60%. The Group will repay the total borrowing upon maturity. The Group borrowed \$400,000 thousand at August 15, 2017. Restrictions related to the contract 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.

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

For working capital management purpose, the Group repaid \$80,000 in November 2019, which is earlier than the maturity date.

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

(o) Lease liabilities

The details of lease liabilities were as follows :

	2019.12.31
Current	\$ 11,907
Non-current	\$ 66,575

For maturity analysis, please refer to Note 6 (y) Financial Instruments.

The amounts recognized in profit or loss were as follows :

	For the years ended December 31, 2019
Interest on lease liabilities	\$ 3,177
Expenses relating to short-term leases	\$ 1,267
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 284

The amounts recognized in the statement of cash flows for the Group were as follow :

	For the years ended December 31, 2019
Total cash outflow for leases	\$ 17,716

(i) Lease of land, building and construction

As of December 31, 2019, the Group leases land and buildings for its office use. The leases of land and buildings run for approximately 2 to 10 years, and the lease period of office premises is usually 2 to 3 years. Part of the lease includes an option to extend the same period of the original contract at the end of the lease term.

Lease payments for certain contracts are subject to changes in the local price index, which usually occur once a year.

The lease agreements for some of the equipment include the option to extend the lease or terminate the lease, which are managed separately by each region, and therefore the individual terms and conditions agreed upon are different within the Group. These options are only for the Group to have enforceable rights and the lessor does not have this right. In the event that it is not possible to reasonably determined the period of the extended lease that will be exercisable, the related payments over the period covered by the option are not included in the lease liability.

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(ii) Other leases

The lease period for the Group leased transportation equipment is one to two years.

The Group supervises the use of such transportation equipment and re-measures the lease liability and right-of-use assets on the reporting date.

In addition, the lease term of the Group leased machinery and equipment is one to three years. These leases are short-term or low-value leases. The Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and lease liabilities.

The Group leased the production and sales offices and offices with operating leases on December 31, 2018. Please refer to Note 6(p).

(p) Operating lease

(i) The Group as lessee

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

	Amount
Less than one year	\$ 15,678
Between one and five years	25,265
Over five years	9,349
	\$ 50,292

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 expense of operating leases was \$16,047 for the years ended 2018, and was included in profit or loss.

(ii) The Group as lesser

The Group rent its investment property. Since almost all the risks associated with the ownership of the underlying assets are not transferred, this lease contract was classified as an operating lease. The maturity analysis of lease payments was the total undiscounted lease payments to be received in the future disclosed as of December 31, 2019, as below:

	2019.12.31
Less than one year	\$ 3,746
Between one and two years	3,888
Between two and four years	7,022
Undiscounted total lease payments	\$ 14,656

For the years ended December 31, 2019, the investment property rental income recognized in other income amounting to \$934. No significant maintenance and repair costs for investment property.

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(q) Employee benefits

(i) Defined benefit plan

The defined benefit obligation was as follows:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Present value of defined benefit obligations	\$ 202,792	193,445
Fair value of plan assets	<u>(114,246)</u>	<u>(105,219)</u>
Net liabilities of defined benefit obligations	<u>\$ 88,546</u>	<u>88,226</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 \$114,246 as of December 31, 2019. 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.

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

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

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2) Changes in present value of plan assets were as follows:

	For the years ended December 31	
	2019	2018
Balance at January 1	\$ 105,219	99,030
Plan expected return	1,474	1,642
Remeasurement of net defined benefit liability (assets)		
– Return on plan assets (excluding current interest cost)	3,273	2,318
Contributions made by employer	4,280	4,339
Employee benefit paid	-	(2,110)
Balance at December 31	\$ 114,246	105,219

3) Cost recognized in profit or loss

	For the years ended December 31	
	2019	2018
Current service cost	\$ 540	583
Interest cost on net defined benefit liability (asset)	1,183	1,313
	\$ 1,723	1,896
Operating cost	\$ 1,317	1,464
Selling expenses	60	65
General and administrative expenses	193	204
Research and development expenses	153	163
	\$ 1,723	1,896
Actual return on assets	\$ 4,747	3,960

4) 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:

	For the years ended December 31	
	2019	2018
Cumulative amount at January 1	\$ (39,724)	(32,052)
Recognized during the period	(2,876)	(7,672)
Cumulative amount at December 31	\$ (42,600)	(39,724)

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5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	2019.12.31	2018.12.31
Discount rate at December 31	1.125%	1.375%
Future salary increases	2.50%	2.750%

The expected amount of contributions for the following year after the reporting date is \$4,168. The weighted-average duration of the defined benefit obligation is 18.04 years.

6) Sensitivity analysis

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

	Present value of defined benefit obligation	
	Increased	Decreased
December 31, 2019		
Discount rate (change of 0.25%)	(7,679)	8,047
Change in future salary (change of 0.25%)	7,827	(7,488)
December 31, 2018		
Discount rate (change of 0.25%)	(7,721)	8,102
Change in future salary (change of 0.25%)	7,863	(7,551)

The above sensitivity analysis 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 2019 and 2018.

(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 Corp., U.S.A., 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.

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

	For the years ended December 31	
	2019	2018
Operating Cost	\$ 23,287	22,538
Selling expenses	5,191	5,229
General and administrative expenses	2,151	2,072
Research and development expenses	2,615	2,334
	\$ 33,244	32,173

(r) Income tax

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

	For the years ended December 31	
	2019	2018
Current tax expense		
Current	\$ 56,712	12,683
Adjust previous current tax	(4,056)	(3,708)
	52,656	8,975
Deferred tax expense		
Origination and reversal of temporary differences	(6,853)	8,493
Change in tax rate	-	(5,725)
Change in unrecognized deductible temporary differences	1,050	2,723
	(5,803)	5,491
Income tax expense	\$ 46,853	14,466

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

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

	For the years ended December 31	
	2019	2018
Income before income tax	\$ 303,900	126,629
Income tax calculated based on the Group's tax rate	60,780	25,325
Effect of overseas income tax differences	(2,054)	895
Adjustment in tax rate	-	(5,725)
Tax-exempt income for dividend income	(1,715)	(3,303)
Tax-exempt income for gains derived from the securities transactions	27	-

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	For the years ended December 31	
	2019	2018
Change in unrecognized temporary differences	1,050	2,723
Investment tax credits	(7,650)	(2,800)
Adjustment for prior periods	(4,056)	(3,708)
Others	471	1,059
Total	\$ 46,853	14,466

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	2019.12.31	2018.12.31
Pension expense	\$ 77,500	76,010
Temporary variances related to invest subsidiaries	155,198	163,763
	\$ 232,698	239,773

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 were as follows:

Deferred tax liabilities:

	Unrealized exchange gain	Others	Total
Balance at January 1, 2019	\$ 856	76	932
Recognized in profit or loss	(856)	(76)	(932)
Balance at December 31, 2019	\$ -	-	-
Balance at January 1, 2018	\$ -	-	-
Recognized in profit or loss	856	76	932
Balance at December 31, 2018	\$ 856	76	932

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Deferred tax assets:

	Inventory valuation loss	Unrealized sales profit	Unrealized foreign exchange loss	Others	Total
Balance at January 1, 2019	\$ 11,804	1,937	-	14,391	28,132
Recognized in profit or loss	\$ (758)	776	6,076	(1,223)	4,871
Balance at December 31, 2019	<u>\$ 11,046</u>	<u>2,713</u>	<u>6,076</u>	<u>13,168</u>	<u>33,003</u>
Balance at January 1, 2018	\$ 12,845	2,099	5,270	12,477	32,691
Recognized in profit or loss	\$ (1,041)	(162)	(5,270)	1,914	(4,559)
Balance at December 31, 2018	<u>\$ 11,804</u>	<u>1,937</u>	<u>-</u>	<u>14,391</u>	<u>28,132</u>

(iii) Approval of income tax

The Company's income tax returns for all fiscal years up to 2017 have been examined and approved by the R.O.C. tax authority.

(s) Share capital and other equities

(i) Common stock

As of December 31, 2019, and 2018, the authorized share capital of the Company amounted to \$3,500,000, comprising 350,000 thousand shares with a par value of TWD10 per share.

Issued shares are as follows:

	(Expressed in thousands of shares)	
	Common Stock	
	2019	2018
Balance at January 1	174,408	183,408
Retirement of treasury stock	(12,000)	(9,000)
Balance at December 31	<u>162,408</u>	<u>174,408</u>

As of December 31, 2019, and 2018, 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 148,613 thousand shares and 153,613 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows:

	2019.12.31	2018.12.31
Treasury stock	<u>\$ 4,397</u>	<u>28,226</u>

(iii) 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.

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(iv) 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 made 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 stock dividends. However, the cash dividend distribution should not be lower than 50 percent of the total dividend distribution of the current year.

1) Legal reserve

According to the ROC Company Act, when a Company incurs no loss, it may, pursuant to a resolution approved by the shareholders, distribute its legal reserve by issuing new shares or distributing cash for the portion in excess of 25% of the paid-in capital.

2) 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 were for additional distributions. As of December 31, 2019, and 2018 the special reserve \$112,571 and \$74,873, 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, 2019, and 2018, the special reserve \$38,736 and \$34,339 have been approved by the annual shareholders' meeting, respectively.

3) Earnings distribution

The appropriation from the retained earnings of 2018 and 2017, have been approved by the annual shareholders meeting on June 4, 2019 and June 12, 2018. The appropriation and dividend per share were as follows:

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	For the years ended December 31	
	2018	2017
Dividends distributed to common shareholder (New Taiwan Dollar):		
Cash	\$ 0.5	0.40827680 (Note)

Note: The Company's shareholders meeting resolved to pay dividends NTD 0.4 per share but adjusted to NTD 0.40827680 per share due to treasury stock affected outstanding shares.

(v) Other equity

	Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on financial assets measured at FVOCI	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2019 after adjustments	\$ (8,271)	(104,299)	-	(112,570)
— Changes of the Group	(5,840)	26,312	-	20,472
— Disposal of investments in equity instrument designated at FVOCI	-	(10,514)	-	(10,514)
Balance at December 31, 2019	\$ (14,111)	(88,501)	-	(102,612)
Balance at January 1, 2018	\$ (8,709)	-	(66,163)	(74,872)
Effects of retrospective application of IFRS9	-	(79,429)	66,163	(13,266)
Balance at January 1, 2018 after adjustments	(8,709)	(79,429)	-	(88,138)
— Changes of the Group	438	(22,418)	-	(21,980)
— Disposal of investments in equity instrument designated at FVOCI	-	(2,452)	-	(2,452)
Balance at December 31, 2018	\$ (8,271)	(104,299)	-	(112,570)

(t) Treasury stock

The changes of treasury stocks were as follows:

	(Expressed in thousands of shares)			
Reason to buy back	Beginning shares	Increase shares	Decrease shares	Ending shares
For the years ended December 31, 2019				
Transfer to employees	12,000	5,000	(12,000)	5,000
For the years ended December 31, 2018				
Maintain the Company's credit and stockholders' equity	-	9,000	(9,000)	-
Transfer to employees	12,000	-	-	12,000
	12,000	9,000	(9,000)	12,000

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

In accordance with 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 stocks 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 stocks held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

As of December 31, 2019, and 2018, the cost of treasury stocks amounted to \$50,739 and \$150,927, respectively.

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. In 2019 and 2018, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's stocks. As of December 31, 2019, and 2018, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. The cost was \$122,282 which was recognized in treasury stocks. As of December 31, 2019 and 2018, their market values amounted to \$154,781 and \$83,547, respectively.

(u) Earnings per share

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

	For the years ended December 31	
	2019	2018
Basic earnings per share		
Profit (loss) attributable to owners of parent	<u>\$ 257,325</u>	<u>111,926</u>
Weighted-average number of common stocks at end of year (expressed in thousands of shares)	<u>148,848</u>	<u>157,803</u>
Expressed in New Taiwan dollars	<u>\$ 1.73</u>	<u>0.71</u>
Diluted earnings per share		
Profit (loss) attributable to owners of parent	<u>\$ 257,325</u>	<u>111,926</u>
Weighted-average number of common stocks (expressed in thousands of shares)	148,848	157,803
Effect of potentially dilutive common stock:		
– Employee bonus (expressed in thousands of shares)	<u>1,023</u>	<u>774</u>
Weighted-average number of common stocks - diluted (expressed in thousands of shares)	<u>149,871</u>	<u>158,577</u>
Expressed in New Taiwan dollars	<u>\$ 1.72</u>	<u>0.71</u>

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In computing basic earnings (loss) per share of common stock for the years ended December 31, 2019 and 2018, 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.

(v) Revenue from Contracts with Customers

(i) Disaggregation of revenue

	For the years ended December 31, 2019			
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 2,255,803	2,869	387	2,259,059
USA	86	940,570	-	940,656
Others	601,891	305,559	394	907,844
Total	\$ 2,857,780	1,248,998	781	4,107,559
Major products:				
Liquid crystal display modules	\$ 835,651	774,281	-	1,609,932
Capacitive touch panel and capacitive touch panel module	1,958,902	466,970	-	2,425,872
Others	63,227	7,747	781	71,755
Total	\$ 2,857,780	1,248,998	781	4,107,559

	For the years ended December 31, 2018			
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 1,132,845	4,585	589	1,138,019
USA	-	692,794	-	692,794
Others	493,725	494,001	196	987,922
Total	\$ 1,626,570	1,191,380	785	2,818,735
Major products:				
Liquid crystal display modules	\$ 945,865	801,468	-	1,747,333
Capacitive touch panel and capacitive touch panel module	647,658	388,970	-	1,036,628
Other	33,047	942	785	34,774
Total	\$ 1,626,570	1,191,380	785	2,818,735

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(ii) Contract balance

	<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2018.1.1</u>
Accounts receivable (including related parties)	\$ 556,362	489,171	513,052
Less: Allowance for impairment	<u>(18,771)</u>	<u>(20,327)</u>	<u>(22,644)</u>
Total	<u>\$ 537,591</u>	<u>468,844</u>	<u>490,408</u>
Contract liability-uneared revenue (recognized in other current liabilities)	<u>\$ 13,031</u>	<u>5,348</u>	<u>10,185</u>

Please refer to Note 6(d) for accounts receivables and impairment.

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

(w) 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, 2019 and 2018, the Company accrued the compensation of employees amounted to \$16,362 and \$6,704, respectively and the remuneration of directors' and supervisors' amounted to \$9,817 and \$4,023, 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 2019 and 2018 consolidated financial reports. Related information would be available at the Market Observation Post System website. <http://emops.twse.com.tw>

(x) Net other income (expenses)

Net other income (expenses) consists of income form rental income.

(y) Non-operating income and expenses

(i) Other income

Details of other income were as follows:

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	For the years ended December 31	
	2019	2018
Interest income		
Bank deposits	\$ 20,472	17,316
Other loans and receivables	164	191
Dividend income	8,716	12,926
Others	3,309	4,396
	\$ 32,661	34,829

(ii) Other gains and losses

Details of other gains and losses were as follows:

	For the years ended December 31	
	2019	2018
Foreign exchange gains (losses)	\$ (32,890)	41,910
Net gains (losses) on disposal of financial assets (liabilities) measured at fair value through profit or loss	3,795	(2,962)
Net gains on disposal of property, plant and equipment	568	4,152
Others	(569)	(2)
	\$ (29,096)	43,098

(iii) Finance costs

Details of finance costs were as follows:

	For the years ended December 31	
	2019	2018
Interest expenses		
Bank loans	\$ 10,828	12,016
Lease liabilities	3,177	-
Management fee of syndicated loan	250	250
	\$ 14,255	12,266

(z) 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

The Group has no significant concentration of its accounts receivable as of December 31, 2019 and 2018.

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3) Accounts receivable of credit risk

Please refer to Note 6(d).

Other financial assets measured at amortized cost including other accounts receivable, refundable deposits, and certificate deposit recognized.

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

	2019.12.31		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Other accounts receivable	\$ 18,684	-	-
Refundable deposits	7,080	-	-
Restricted time deposits	2,096	-	-
Allowance for impairment	-	-	-
Amortized cost	\$ 27,860	-	-
Carrying amount	\$ 27,860	-	-

	2018.12.31		
	Financial assets measured at amortized cost		
	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Other accounts receivable	\$ 15,840	-	-
Refundable deposits	7,234	-	-
Restricted time deposits	2,102	-	-
Allowance for impairment	-	-	-
Amortized cost	\$ 25,176	-	-
Carrying amount	\$ 25,176	-	-

The movement in the provision for impairment with respect to the financial assets measured at amortized cost was as follows:

	12-month ECL	Lifetime ECL-unimpaired	Lifetime ECL-impaired
Balance at January 1, 2019	\$ -	-	-
Balance on December 31, 2019	-	-	-
Balance at January 1, 2018	-	-	2,828
Offset uncollected amount	-	-	(2,807)
Effect of changes in foreign currency exchange rates	-	-	(21)
Balance on December 31, 2018	\$ -	-	-

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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.

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12 months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 year</u>	<u>Due in over 5 years</u>
December 31, 2019							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 319,555	(323,599)	(2,886)	(320,713)	-	-	-
Unsecured loans (floating rate)	400,000	(400,534)	(400,534)	-	-	-	-
Accounts payable (no interest)	431,437	(431,437)	(431,437)	-	-	-	-
Notes payable (no interest)	307	(307)	(307)	-	-	-	-
Other payable (no interest)	109,644	(109,644)	(109,644)	-	-	-	-
Lease liability (fixed interest)	78,482	(114,543)	(7,843)	(6,602)	(7,224)	(12,070)	(80,804)
Guarantee deposits received (no interest)	587	(587)	-	-	(34)	(553)	-
Derivative financial liabilities							
Swap Contract:	994						
Cash in		89,940	89,940	-	-	-	-
Cash out		(91,191)	(91,191)	-	-	-	-
	<u>\$ 1,341,006</u>	<u>(1,381,902)</u>	<u>(953,902)</u>	<u>(327,315)</u>	<u>(7,258)</u>	<u>(12,623)</u>	<u>(80,804)</u>

	<u>Carrying amount</u>	<u>Contracted cash flows</u>	<u>Due within 6 months</u>	<u>Due in 6-12 months</u>	<u>Due in 1-2 years</u>	<u>Due in 2-5 year</u>	<u>Due in over 5 years</u>
December 31, 2018							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,888	(411,690)	(3,574)	(3,633)	(404,483)	-	-
Unsecured loans (floating rate)	370,000	(370,473)	(370,473)	-	-	-	-
Accounts payable (no interest)	459,356	(459,356)	(459,356)	-	-	-	-
Notes payable (no interest)	720	(720)	(720)	-	-	-	-
Other payable (no interest)	91,509	(91,509)	(91,509)	-	-	-	-
Guarantee deposits received (no interest)	264	(264)	(264)	-	-	-	-
	<u>\$ 1,320,737</u>	<u>(1,334,012)</u>	<u>(925,896)</u>	<u>(3,633)</u>	<u>(404,483)</u>	<u>-</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:

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	2019.12.31			2018.12.31		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 69,372	29.98	2,079,789	51,690	30.715	1,587,648
JPY	18,491	0.276	5,104	34,512	0.2782	9,601
CNY	176	4.305	757	790	4.472	3,535
EUR	7	33.59	225	23	35.20	821
<u>Non-monetary items</u>						
USD	3,802	29.98	113,978	3,553	30.715	109,121
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	14,135	29.98	423,768	11,542	30.715	354,523
JPY	40,745	0.2760	11,246	30,140	0.2782	8,385
EUR	11	33.59	386	18	35.2	633
TWD	-	1	-	5,029	1	5,029
<u>Non-monetary items</u>						
USD	3,000	29.98	89,940	-	-	-

2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, other receivables, financial assets at fair value through profit or loss, loans, accounts payable, bonds payable and other payables. As of December 31, 2019 and 2018, the exchange rate of the TWD versus the USD, CNY, JPY, and EUR increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$11,205 and \$10,281, respectively. The analysis assumes that all other variables remain constant.

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 2019 and 2018, foreign exchange loss (including realized and unrealized) amounted to gain (loss) \$(32,890) and \$41,910, 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 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.

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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 2019 and 2018 would have been decreased or increased by \$78 and \$87, 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 periods, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

For the years ended December 31				
2019			2018	
Equity price at reporting date	After tax amount of other comprehensive income	After tax profit/loss	After tax amount of other comprehensive income	After tax profit/loss
Increase 3%	<u>\$ 7,512</u>	<u>1,296</u>	<u>6,143</u>	<u>3,130</u>
Decrease 3%	<u>\$ (7,512)</u>	<u>(1,296)</u>	<u>(6,143)</u>	<u>(3,130)</u>

(vi) Fair value

1) Categories and fair values of financial instruments

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

	December 31, 2019				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 76	-	76	-	76
Debt investment with quoted market price	<u>54,018</u>	54,018	-	-	54,018
Subtotal	<u>54,094</u>				
Financial assets at fair value through other comprehensive income					
Equity instrument with quoted market prices	110,444	110,444	-	-	110,444
Equity instrument at fair value without quoted market prices	<u>139,872</u>	-	-	139,872	139,872
Subtotal	<u>250,316</u>				
Financial assets at amortized cost					
Cash and cash equivalents	1,368,252	-	-	-	-
Accounts receivable	537,591	-	-	-	-
Other receivable	18,684	-	-	-	-
Restricted time deposits	2,096	-	-	-	-
Refundable deposits (recognized in other non-current financial assets)	<u>7,080</u>	-	-	-	-
Subtotal	<u>1,933,703</u>				
Total financial assets	<u>\$ 2,238,113</u>				

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	December 31, 2019				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or less					
Derivative financial liabilities	\$ 994	-	994	-	994
Financial liabilities at amortized cost					
Bank loans	\$ 719,555	-	-	-	-
Notes payable	307	-	-	-	-
Accounts payable	431,437	-	-	-	-
Other payable	109,644	-	-	-	-
Lease liabilities	78,482	-	-	-	-
Guarantee deposits	<u>587</u>	-	-	-	-
Subtotal	<u>1,340,012</u>				
Total financial liabilities	<u>\$ 1,341,006</u>				

	December 31, 2018				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or less					
Derivative financial assets	\$ 379	-	379	-	379
Debt investment with quoted market price	<u>126,080</u>	126,080	-	-	126,080
Subtotal	<u>126,459</u>				
Financial assets at fair value through other comprehensive income					
Equity instrument with quoted market prices	204,764	204,764	-	-	204,764
Equity instrument at fair value without quoted market prices	<u>151,668</u>	-	-	151,668	151,668
Subtotal	<u>356,432</u>				
Financial assets at amortized cost					
Cash and cash equivalents	1,029,113	-	-	-	-
Accounts receivable	468,844	-	-	-	-
Other receivable	15,840	-	-	-	-
Restricted time deposits	2,102	-	-	-	-
Refundable deposits (recognized in other non-current financial assets)	<u>7,234</u>	-	-	-	-
Subtotal	<u>1,523,133</u>				
Total financial assets	<u>\$ 2,006,024</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 768,888	-	-	-	-
Notes payable	720	-	-	-	-
Accounts payable	459,356	-	-	-	-
Other payable	91,509	-	-	-	-
Guarantee deposits	<u>264</u>	-	-	-	-
Total financial liabilities	<u>\$ 1,320,737</u>				

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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).

2) Valuation techniques and assumptions unused in fair value determination

A. Financial assets measured at amortized cost

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

B. Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

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

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

Derivative instruments

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

4) Transfer between level 1 and level 2

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

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

	Financial assets at fair value through other comprehensive income	
	Unquoted equity instruments	
Balance on January 1, 2019	\$	151,668
Reclassification from prepayment for investments		2,700
Recognized in other comprehensive income		(14,496)
Balance on December 31, 2019	\$	<u>139,872</u>
Balance at January 1, 2018	\$	185,000
Adjustments on initial application of IFRS 9		(36,400)
Balance after adjustment at January 1, 2018		148,600
Recognized in other comprehensive income		3,068
Balance at December 31, 2018	\$	<u>151,668</u>

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

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

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

The Group's major equity investment without active market - Chenfeng Optonics Corporation's quantified information of significant unobservable inputs was as follows:

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Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant fair value measurement
Fair value through other comprehensive income-equity investments without active market	Discounted Cash Flow Method	• Continuing growth rate (2.10% and 1.96%, respectively, as of December 31, 2019 and 2018)	• If the continuing growth rate were higher, the estimated fair value would increase.
		• Weighted average cost of capital (9.47% and 11.82%, respectively, as of December 31, 2019 and 2018)	• If WACC were higher, the estimated fair value would decrease.
		• Market illiquidity discount rate (37.21% and 38.36%, respectively, as of December 31, 2019 and 2018)	• If the market illiquidity discount were higher, the estimated fair value would decrease.
		• Non-controlling interests discount rate of 29.87% for December 31, 2019 and 2018	• If the non-controlling interests discount were higher, the estimated fair value would decrease.

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

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

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

Inputs	Fluctuation in inputs	Changes in fair value reflected in OCI	
		Favorable	Unfavorable
December 31, 2019			
Continuing growth rate 2.10%	0.1%	\$ 1,890	1,750
Weighted average cost of capital 9.47%	0.5%	2,380	2,240
Market illiquidity discount rate 37.21%	1%	1,960	1,960
Non-controlling interests discount rate 29.87%	1%	1,750	1,750
December 31, 2018			
Continuing growth rate 1.96%	0.1%	\$ 1,610	1,540
Weighted average cost of capital 11.82%	0.5%	11,410	10,290
Market illiquidity discount rate 38.36%	1%	2,240	2,310
Non-controlling interests discount rate 29.87%	1%	2,030	2,030

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

(aa) 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.

(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.

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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.

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.

As of December 31, 2019 and 2018, the Group has unused credit facilities for short-term loan amounting to \$1,592,106 and \$1,715,911, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the 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.

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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.

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 and mutual funds that contain uncertainty of future prices risk. Therefore, the Group monitors and manages the equity investments by holding different investment portfolio and regularly updating the information of equity instruments and mutual funds investment.

(ab) 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 common stocks, non-redeemable preference stocks, 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 common 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.

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. The total capital and equity include stock capital, capital surplus, retained earnings, other equity, and non-controlling interest. In 2018, the Group'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, 2019 and 2018, is as follows:

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	2019.12.31	2018.12.31
Net debt	<u>\$ 316,633</u>	<u>555,796</u>
Total equity	<u>\$ 1,951,981</u>	<u>1,809,159</u>
Debt-to-equity ratio	16.22%	30.72%

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

(ac) Investing and financing activities not affecting current cash flow

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

- (i) Please refer to Note 6(j) for right of use assets.
- (ii) Reconciliation of liabilities arising from financing activities were as follows :

	Non-cash changes						
	January 1,	Cash flows	Foreign exchange				December 31,
	2019		movement	Amortized	Other		2019
Short-term loans	\$ 370,000	30,000	-	-	-	400,000	
Long-term loans (including long term loans, current portion)	398,888	(80,000)	-	667	-	319,555	
Lease liabilities	90,510	(12,826)	(791)	-	1,589(Note)	78,482	
Guarantee deposits	264	339	(16)	-	-	587	
Total liabilities from financing activities	<u>\$ 859,662</u>	<u>(62,487)</u>	<u>(807)</u>	<u>667</u>	<u>1,589</u>	<u>798,624</u>	

Note: Obtain the right-of-use assets

	Non-cash changes						
	January 1,	Cash flows	Foreign exchange				December 31,
	2018		movement	Amortized	Other		2018
Short-term loans	\$ 557,000	(187,000)	-	-	-	370,000	
Long-term loans (including long term loans, current portion)	398,246	-	-	642	-	398,888	
Guarantee deposits	34	225	5	-	-	264	
Total liabilities from financing activities	<u>\$ 955,280</u>	<u>(186,775)</u>	<u>5</u>	<u>642</u>	<u>-</u>	<u>769,152</u>	

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(7) Transactions with Related Parties

Compensation of key management personnel

The information on key management personnel compensation was as follows:

	For the years ended December 31	
	2019	2018
Short-term employee benefits	\$ 28,057	24,842
Post-employment benefits	513	505
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	\$ 28,570	25,347

In 2018, the Group provided respectively five of its own cars with carrying amount of \$13,053, and as of March 31, 2018, rented another car for their key management personnel to use. The rental car expense amounted to \$226 for the year ended December 31, 2018.

(8) Pledged Assets

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

Pledged Assets	Purpose	2019.12.31	2018.12.31
Restricted time deposits-current	Guarantee for customs	\$ 1,543	1,536
Restricted time deposits-non-current	Performance guarantee	553	566
Property, plant and equipment-buildings	Guarantee for long-term loans	225,474	202,076
		\$ 227,570	204,178

(9) Commitments and Contingencies

(a) As of December 31, 2019 and 2018, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$16,074 and \$4,150, respectively.

(b) As of December 31, 2019 and 2018, the Group has signed contracts for the purchase of equipment. The unrecognized contingencies of contracts for the purchase of property, plant and equipment amounted to \$806 and \$2,630, respectively.

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events: None

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(12) Other

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

By function	For the years ended December 31					
	2019			2018		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
employee benefits:						
Salary	415,384	206,925	622,309	386,937	190,430	577,367
Labor and health insurance	42,053	15,152	57,205	38,337	13,695	52,032
Pension expense	24,604	10,363	34,967	24,002	10,067	34,069
Remuneration of directors	-	11,425	11,425	-	7,086	7,086
Other personnel cost	6,353	2,389	8,742	5,320	1,785	7,105
Depreciation	71,099	12,856	83,955	61,888	4,475	66,363
Amortization	562	493	1,055	792	2,398	3,190

(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, 2019 were as follows:

(i) Loans extended to other parties:

No.	Lender	Counter-party	Financial statement account	Related party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of Financing	Amount of sales to (purchases from) counter-party	Reason for financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount	Remark
					(Note1)	(Note 1)	(Note 1)						Item	Value			
0	The Company	Emerging Display Technologies Corp., U.S.A.	Other receivable-related parties	Yes	43,471 (USD 1,450,000)	43,471 (USD 1,450,000)	20,986 (USD 700,000)	3.85% 4.79%	The need for short-term financing	-	Working capital	-	-	-	189,106 (Note 2)	756,842 (Note 2)	Note 3

Note1: It used the rate of exchange at December 31, 2019.

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

Note 3: It was eliminated in the consolidation.

(ii) Guarantees provided to other parties: None

(iii) Securities owned as of December 31, 2019 (subsidiaries, associates and joint ventures not included):

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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, 2019				Highest in the mid-term		Remarks
				Units (shares)	Carrying Value	Highest percentage of ownership during the year	Fair value	Units (shares)	Highest percentage of ownership during the year	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets at FVOCI – noncurrent	1,470,000	15,832	5.25%	15,832	1,470,000	5.25%	-
The Company	Chenfang Optonics Corp. stock	-	Financial assets at FVOCI – noncurrent	1,000,000	17,720	1.64%	17,720	1,000,000	1.75%	-
The Company	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVOCI – noncurrent	13,845	890	- %	890	13,845	- %	-
The Company	Innolux Corp. stock	-	Financial assets at FVOCI – current	1,147,089	9,555	0.01%	9,555	1,147,089	0.01%	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Financial assets at FVOCI – current	300,000	13,920	- %	13,920	300,000	- %	-
The Company	Synnex Technology International Co., Ltd. stock	-	Financial assets at FVOCI – current	458,000	17,175	0.03%	17,175	458,000	0.03%	-
The Company	Nan Ya Plastics Corporation stock	-	Financial assets at FVOCI – current	210,000	15,288	-	15,288	210,000	-	-
The Company	Pegatron Co., Ltd. stock	-	Financial assets at FVOCI – current	216,000	14,775	0.01%	14,775	216,000	0.01%	-
The Company	Coasia Microelectronics Corp. stock (Note 1)	-	Financial assets at FVOCI – current	441,508	5,055	0.32%	5,055	441,508	0.32%	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	480,000	11,256	0.78%	11,256	480,000	0.78%	-
The Company	Edmond de Rothschild Fund – Europe Convertibles(A) USD	-	Financial assets at FVTPL – current	8,468.12	23,636	-	23,636	8,468.12	-	-
The Company	JPMorgan Multiple Income Fund (USD)	-	Financial assets at FVTPL – current	5,083.88	30,382	-	30,382	5,083.88	-	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	550,000	12,897	0.90%	12,897	550,000	0.90%	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Financial assets at FVOCI – current	101,500	722	0.02%	722	101,500	0.02%	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	5,346,672	94,101	3.29%	94,101	5,346,672	3.29%	(Note 2)
Bae Haw Investment Development Corp	Everest Technology Inc.	-	Financial assets at FVOCI – noncurrent	1,000,000	-	1.47%	-	1,000,000	1.47%	-
Bae Haw Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI – current	380,000	8,911	0.62%	8,911	380,000	0.62%	-
Bae Haw Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI – noncurrent	3,447,716	60,680	2.12%	60,680	3,447,716	2.12%	(Note 2)
Ying Cheng Investment Corp.	Chenfang Optonics Corp. stock	-	Financial assets at FVOCI – noncurrent	6,000,000	106,320	9.83%	106,320	6,000,000	12.23%	-

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

Note2: It was eliminated in the consolidation.

- (iv) Accumulated trading amount of a single security in excess of \$300 million or 20% of the Group's issued stock capital: None
- (v) Acquisition of property, plant and equipment in excess of \$300 million or 20% of issued stock capital: None.
- (vi) Disposal of property, plant and equipment in excess of \$300 million or 20% of issued stock capital: None.
- (vii) Sales to and purchases from related parties in excess of \$100 million or 20% of issued stock capital was as follows:

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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Purchasing (selling) company	Counter party	Relation-ship	Detail of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net purchase (sales)	Credit line	Unit price	Period for credit	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Sale	1,133,461	28.40%	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 trading practices in North American market, the Company set credit duration as three months for North American market, which is slightly longer than one to three months set in other markets.	289,755	42.88%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	107,322	4.39%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to.	The Company is the only entity the subsidiary provides processing service to	-	-	(Note)
The Company	Dong Guan Emerging Display Limited	Sub subsidiary of the Company	Purchase (processing cost)	106,865	43.73%	1-3 months	The Company is the only entity that Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	The Company is the only entity the sub subsidiary provides processing service to.	(96,640)	20.06%	(Note)
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,133,461	100.00%	3 months	The Company is the major supplier for Emerging Display Technologies Corp., U.S.A.	The Company is the major supplier for Emerging Display Technologies Corp., U.S.A.	289,755	100.00%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	107,322	100.00%	1-3 months	The Company is the only entity the subsidiary provides processing service to.	The Company is the only entity the subsidiary provides processing service to.	-	-	(Note)
Dong Guan Emerging Display Limited	The Company	Sub subsidiary of the Company	Sale (processing revenue)	106,865	50.71%	1-3 months	The Company is the only entity the sub subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the sub subsidiary provides processing service to.	96,640	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	103,862	100.00%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	-	-	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	103,862	49.29%	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.	-	-	(Note)

Note: It was eliminated in the consolidation.

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

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

Note: It was eliminated in the consolidation.

(ix) Derivative financial instrument transactions:

Please refer to Note 6(b).

(x) Significant inter-Group transactions:

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Sales revenue	1,133,461	Considering the 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.	27.59%
				Accounts receivable	289,755		7.97%
0	The Company	Tremendous Explore Corp.	1	Processing cost	107,322	No non-related-party transaction to compare to.	2.61%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Selling expenses -Commission	288	No non-related-party transaction to compare to.	0.01%
				Other payable	62		-
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission	54,292	No non-related-party transaction to compare to.	1.32%
				Other payable	7,409		0.20%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses -Commission	4,083	No non-related-party transaction to compare to.	0.10%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission	13,683	No non-related-party transaction to compare to.	0.33%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Interest revenue	1,313	Adjust by floating interest rate of Bank of America.	0.03%
				Other receivable	20,986		0.58%
0	The Company	Dong Guan Emerging Display Limited	1	Processing cost	106,865	No non-related-party transaction to compare to.	2.60%
				Purchase material	58,839		1.43%
				Other payable	96,640		2.66%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing cost	103,862	No non-related-party transaction to compare to.	2.53%
				Purchase material	44,522		1.08%

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

Note: Relationship notes as follows,

- 1) Parent Group to subsidiary
- 2) Subsidiary to parent Group
- 3) Subsidiary to subsidiary

(b) Information on investees

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

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

Note 1: It was deducted unrealized profit from sales \$13,567.

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:

(i) Information on investments in Mainland China

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of Jan. 1, 2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of Dec. 31, 2019	Net income of investee	The Group's direct or indirect investment ratio	Highest ratio during the year	Investment gain (loss) recognized by the Group	Book value of the investment as of Dec. 31, 2019	Accumulated investment income repatriated to Taiwan as of Dec. 31, 2019
					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) (Note 1)	-	-	219,225 (US\$6,746,936)	(5,425)	95.80% (Note 2)	95.80%	(5,197) Based on the investee's financial statements audited by the same auditor as the Group (Note 3)	95,806 (Note 4)	-

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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(ii) Limitation on investment in Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit on investment in Mainland China set by the Investment Commission, Ministry of Economic Affairs
207,901 (Note 8) (US\$6,934,668)(Note5)	418,273 (Note 8) (US\$13,951,732)(Note6)	1,262,998 (Note7)

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

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

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

Note 4: The amount includes \$5,900 which was invested by Ying Dar Investment Development Corp. and \$11,411 which was invested by Bae Haw Investment Development Corp.

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

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

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

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

(iii) Significant transactions:

The significant inter-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
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- (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:

For the years ended December 31, 2019						
	Domestic	North America	Mainland China	Other operating department	Adjustments and elimination	Total
Revenue						
Sales to customers other than consolidated entities	\$ 2,857,780	1,248,998	-	781	-	4,107,559
Sales among consolidated entities	1,133,461	288	321,030	72,058	(1,526,837)	-
Interest revenue	21,914	1	34	-	(1,313)	20,636
Total revenue	\$ 4,013,155	1,249,287	321,064	72,839	(1,528,150)	4,128,195
Interest expenses	\$ 13,235	1,507	689	137	(1,313)	14,255
Depreciation and amortization	\$ 69,692	2,793	8,958	3,567	-	85,010
Segment income	\$ 302,109	9,560	5,002	755	(13,526)	303,900
Segment assets	\$ 3,465,228	413,535	162,884	24,805	(429,586)	3,636,866
Segment liabilities	\$ 1,544,022	324,510	62,618	17,042	(263,307)	1,684,885

For the years ended December 31, 2018						
	Domestic	North America	Mainland China	Other operating department	Adjustments and elimination	Total
Revenue						
Sales to customers other than consolidated entities	\$ 1,626,570	1,191,380	-	785	-	2,818,735
Sales among consolidated entities	1,082,325	670	280,704	63,692	(1,427,391)	-
Interest revenue	19,027	1	42	46	(1,609)	17,507
Total revenue	\$ 2,727,922	1,192,051	280,746	64,523	(1,429,000)	2,836,242
Interest expenses	\$ 12,259	1,609	-	7	(1,609)	12,266
Depreciation and amortization	\$ 65,950	1,019	2,401	183	-	69,553
Segment income	\$ 112,014	4,320	6,554	1,078	2,663	126,629
Segment assets	\$ 3,233,548	474,457	141,486	17,567	(472,990)	3,394,068
Segment liabilities	\$ 1,605,404	390,779	73,217	10,647	(495,138)	1,584,909

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

The following is the explanation of material reconciliation item:

- (i) For the years ended December 31, 2019 and 2018, the operating segments revenue eliminated from the consolidated entities were \$1,528,150 and \$1,429,000, respectively.
- (ii) For the years ended December 31, 2019 and 2018 the operating segments profit and loss eliminated from the consolidated entities were \$13,526 and \$2,663, respectively.
- (iii) For the years ended December 31, 2019 and 2018, the operating segments assets eliminated from the consolidated entities were \$429,586 and \$472,990, respectively.
- (iv) For the years ended December 31, 2019 and 2018, the operating segments liabilities eliminated from the consolidated entities were \$263,307 and \$495,138, respectively.

(c) Products and services information

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

Production	For the years ended December 31	
	2019	2018
Liquid crystal display modules	\$ 1,609,932	1,747,333
Capacitive touch panel and capacitive touch panel module	2,425,872	1,036,628
Others	71,755	34,774
	\$ 4,107,559	2,818,735

(d) Geographic information

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

Geographic Area	For the years ended December 31	
	2019	2018
Mainland China	\$ 371,185	603,708
Europe	2,259,059	1,138,019
USA	940,656	692,794
Japan	97,144	94,341
Taiwan	361,433	216,988
Korea	45,875	42,106
Others	32,207	30,779
	\$ 4,107,559	2,818,735

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES
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Non-current assets, classified by location of assets, were as follows:

<u>Geographic Area</u>	<u>2019.12.31</u>	<u>2018.12.31</u>
Taiwan	\$ 377,280	342,961
Mainland China	20,233	10,629
USA	104,357	104,010
Europe	1,134	670
Others	1,769	39
	<u>\$ 504,773</u>	<u>458,309</u>

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

(e) Major customers' information

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
A customer from domestic segment	\$ 404,362	399,157
B customer from domestic segment	1,135,284	8,090
	<u>\$ 1,539,646</u>	<u>407,247</u>

6.5 Parent-company-only financial statements for the years ended December 31, 2019 and 2018, and independent auditors' report

Independent Auditors' Report

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Valuation of inventory

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Accounts receivables

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2020

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
EMERGING DISPLAY TECHNOLOGIES CORP.
Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

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

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest				Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	
Balance on January 1, 2018	\$ 1,834,076	23,873	40,391	123,710	161,563	(8,709)	-	(66,163)	(273,209)	1,835,532
Effects of retrospective application	-	-	-	-	(8,314)	-	(79,429)	66,163	-	(21,580)
Balance on January 1, 2018 after adjustments	1,834,076	23,873	40,391	123,710	153,249	(8,709)	(79,429)	-	(273,209)	1,813,952
Profit	-	-	-	-	111,926	-	-	-	-	111,926
Other comprehensive income	-	-	-	-	(7,672)	438	(22,418)	-	-	(29,652)
Total comprehensive income	-	-	-	-	104,254	438	(22,418)	-	-	82,274
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	5,431	-	(5,431)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(68,349)	-	-	-	-	(68,349)
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-
Purchase of treasury share	-	-	-	-	-	-	-	-	(89,237)	(89,237)
Retirement of treasury share	(90,000)	763	-	-	-	-	-	-	89,237	-
Cash dividends to subsidiaries	-	3,590	-	-	-	-	-	-	-	3,590
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	2,452	-	(2,452)	-	-	-
Balance on December 31, 2018	1,744,076	28,226	45,822	109,212	200,673	(8,271)	(104,299)	-	(273,209)	1,742,230
Profit	-	-	-	-	257,325	-	-	-	-	257,325
Other comprehensive income	-	-	-	-	(2,876)	(5,840)	26,312	-	-	17,596
Total comprehensive income	-	-	-	-	254,449	(5,840)	26,312	-	-	274,921
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	11,193	-	(11,193)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(78,704)	-	-	-	-	(78,704)
Special reserve	-	-	-	42,095	(42,095)	-	-	-	-	-
Purchase of treasury share	-	-	-	-	-	-	-	-	(50,738)	(50,738)
Retirement of treasury share	(120,000)	(28,226)	-	-	(2,700)	-	-	-	150,926	-
Cash dividends to subsidiaries	-	4,397	-	-	-	-	-	-	-	4,397
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,514	-	(10,514)	-	-	-
Balance on December 31, 2019	\$ 1,624,076	4,397	57,015	151,307	330,944	(14,111)	(88,501)	-	(173,021)	1,892,106

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
EMERGING DISPLAY TECHNOLOGIES CORP.
Notes to the Parent Company Only Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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

(2) Approval date and procedures of the financial statements

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

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

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

(i) IFRS 16 “Leases”

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

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

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

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(J).

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

2) As a lessee

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

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

- Leases classified as operating leases under IAS 17

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

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

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

3) As a lessor

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

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

4) Impacts on financial statements

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

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

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

(e) Cash and cash equivalents

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

(f) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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

3) Fair value through profit or loss (FVTPL)

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

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

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4) Business model assessment

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

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

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

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

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

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

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

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

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

6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial assets

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

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

(g) Inventories

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

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

(h) Investment in subsidiaries

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent Expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings and construction	2~50 years
2) Machinery and equipment	2~10 years
3) Office equipment	3~5 years
4) Other equipment	1~10 years

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

(iv) Reclassification to investment property

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

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

(iii) As a lessor

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

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

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

Applicable before January 1, 2019

(i) Lessor

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

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(i) Lessee

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

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

(k) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Patents	9~20 years
2) Computer software cost	3 months~4 years

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

(l) Impairment of non-financial assets

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

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

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

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

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

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

(m) Provisions

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

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

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

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

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

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

2) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

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

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(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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(p) Share-based payment

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

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

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

(q) Income taxes

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

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

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

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

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

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

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

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

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

The aforementioned financial assets were not pledged as collaterals.

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

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	December 31, 2019		
	Contract amount (in thousands)	Currency	Maturity Date
Swap contract	USD 5,000	NTD to USD	2020.01.17~2020.03.31

	December 31, 2018		
	Contract amount (in thousands)	Currency	Maturity Date
Swap contract	USD 3,000	NTD to USD	108.01.22~108.03.04

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

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

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

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	December 31, 2019	December 31, 2018
Preference stocks listed on domestic markets		
-noncurrent:		
Fubon Financial Holding Co., Ltd.	890	869
Total	\$ 34,442	32,286

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

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

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

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

The aforementioned financial assets were not pledged as collaterals.

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

(d) Accounts receivable

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

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Notes to the Parent-Company-Only Financial Statements

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

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

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

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

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

The aforementioned financial assets were not pledged as collaterals.

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

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(e) Other receivables

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

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

(f) Inventories

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

The details of the cost of sales were as follows:

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

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

The inventories of the Company were not pledged as collaterals.

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(g) Other assets

The details of other assets were as follows:

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

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

(h) Investments accounted for using equity method

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

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

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

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

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

(i) Non-controlling interests' share of subsidiaries

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

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(j) Property, plant and equipment

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

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

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

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

(k) Right-of-use assets

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

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

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	Amount
Depreciation:	
Balance on January 1, 2019	\$ -
Depreciation	2,757
Balance on December 31, 2019	\$ 2,757
Carrying amounts:	
Balance on December 31, 2019	\$ 64,469
Balance on January 1, 2019	\$ 67,226

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

(l) Intangible assets

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

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

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

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

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

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

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

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

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

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

(n) Long-term borrowings

The long-term borrowings were summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured bank loans	\$ 320,000	400,000
Less: discount on long term borrowings	<u>(445)</u>	<u>(1,112)</u>
Total	<u>\$ 319,555</u>	<u>398,888</u>
Recognized in:		
Long-term borrowings, current portion	\$ 319,555	-
Long-term borrowings	<u>\$ -</u>	<u>398,888</u>
	<u>\$ 319,555</u>	<u>398,888</u>
Unused long-term credit lines	<u>\$ 320,000</u>	<u>400,000</u>
Range of interest rates	<u>1.8085%</u>	<u>1.8019%</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, with a credit line which decreases every 6 months since two years after the first appropriation date. The first and second phase will decrease by 20% of the effective credit line, and the third phase will decrease by 60%. The Company will repay the total borrowing upon maturity. The Company borrowed \$400,000 thousand at August 15, 2017, with restrictions related to the contract are as follows:

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

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

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

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

(o) Lease liabilities

	December 31, 2019
Current	\$ 1,928
Non-current	\$ 63,432

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

The amounts recognized in profit or loss were as follows:

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

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The amounts recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	\$ 4,542

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

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

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

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

(p) Operating lease

The Company as lessee

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

	Amount
Less than one year	\$ 4,053
Between one and five years	11,318
Over five years	9,349
	\$ 24,720

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

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

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(q) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

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3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

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

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

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6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

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

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

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

7) Sensitivity analysis

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

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

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

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

(i) Defined contribution plans

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

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

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

(r) Income taxes

(i) Income tax expenses

The amount of income tax expense was as follows:

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

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

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

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

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

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

2) Recognized deferred tax assets and liabilities

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

Deferred tax liabilities:

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

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Deferred tax assets:

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

(iii) Assessment of tax

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

(s) Capital and other equities

(i) Ordinary shares

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

Reconciliation of shares issued by the Company is as follows:

(Unit: thousands of shares)

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

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Treasury share transactions	<u>\$ 4,397</u>	<u>28,226</u>

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

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(iii) Retained Earning

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

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

1) Legal reserve

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

2) Special reserve

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

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

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3) Earnings distribution

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

	2018	2017
Dividends distributed to ordinary shareholders (New Taiwan Dollar)		
Cash	\$ 0.5	0.40827680 (note)

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

(iv) Other equity (net of tax)

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

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(v) Treasury shares

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

(Unit: thousands)

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

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

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

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

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

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

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(t) Earnings per share

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

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

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

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Primary geographical markets:		
Europe	\$ 2,254,107	1,132,845
America	1,133,778	1,082,325
Others	<u>603,587</u>	<u>493,725</u>
Total	<u>\$ 3,991,472</u>	<u>2,708,895</u>
	2019	2018
Major products:		
Liquid crystal display modules	\$ 1,542,823	1,659,541
Capacitive touch panel and capacitive touch panel module	2,376,660	1,007,995
Others	<u>71,989</u>	<u>41,359</u>
Total	<u>\$ 3,991,472</u>	<u>2,708,895</u>

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(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Accounts receivable (including related parties)	\$ 629,633	563,879	611,393
Less: allowance for impairment	<u>(18,771)</u>	<u>(19,694)</u>	<u>(22,606)</u>
Total	<u>\$ 610,862</u>	<u>544,185</u>	<u>588,787</u>
Contract liabilities-unearned revenue (recognized in other current liabilities)	<u>\$ 12,942</u>	<u>5,348</u>	<u>10,185</u>

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

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

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

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

For the year ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$16,362 and \$6,704, and directors' and supervisors' remuneration amounting to \$9,817 and \$4,023, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. The aforementioned amounts are identical to those of the estimated amounts, as stated in the parent only financial statements 2019 and 2018. The amounts, as stated in the parent only financial statements, are identical to those of the actual distributions for 2019 and 2018. Related information would be available at the Market Observation Post System website.

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(w) Net other income (expenses)

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

(x) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

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

(ii) Other gains and losses

The details of other gains and losses were as follows:

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

(iii) Finance costs

The details of finance costs were as follows:

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

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(y) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

3) Credit risk of accounts receivable

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

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

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

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

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	December 31, 2018		
	Financial assets at amortized cost		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired
Other receivable-related parties	\$ 44,537	-	-
Other receivable-loans to employee	14,415	-	-
Other receivable-others	1,411	-	-
Refundable deposits	2,866	-	-
Restricted time deposits	1,536	-	-
Allowance for impairment	-	-	-
Amortized cost	\$ 64,765	-	-
Carrying amount	\$ 64,765	-	-

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

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

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(ii) Liquidity Risk

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

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

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

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(iii) Currency risk

1) Exposure to foreign currency risk

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

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

2) Sensitivity analysis

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

3) Exchange gains and losses of monetary items

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

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the 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 had increased or decreased by 1% basis points, with all other variables held constant, the Company's profit after tax for the years ended 2019 and 2018 would have been decreased or increased by \$78 and \$87, respectively. This is mainly as a result of liabilities bearing floating interest rates.

(v) Other prices risks

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

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

(vi) Fair value

1) Fair value hierarchy

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

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

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

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

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

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

A. Financial assets measured at amortized cost

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

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

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

3) Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

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

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

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

Derivative instruments

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

4) Transfer between level 1 to level 2

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

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

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

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

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

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

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

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

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

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

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

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

(z) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

2) Investment

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

(iv) Liquidity risk

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

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

(v) Market risk

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

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

1) Currency risk

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

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

2) Interest rate risk

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

3) Other market price risk

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

(aa) Capital management

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

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

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

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

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

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

(ab) Financing activities not affecting current cash flow

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

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

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

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

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

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(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Emerging Display Technologies Corp., U.S.A. (EDTA)	Subsidiary
Emerging Display International (Samoa) Corp. (EDTS)	Subsidiary
EDT-Europe ApS (EDTE)	Subsidiary
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>2019</u>	<u>2018</u>
Subsidiaries-EDTA	<u>\$ 1,133,461</u>	<u>1,082,325</u>

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

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

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

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

(iii) Consigned for processing

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

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

(iv) Commission expense

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

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

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

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

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(v) Loans to related parties

The loans to related parties were as follows:

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

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

(vi) Others

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

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

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

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

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

(9) Commitments and contingencies:

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

(10) Losses due to major disasters: none

(11) Subsequent events: none

(12) Other:

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

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

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

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

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(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

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

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

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

(ii) Guarantees and endorsements for other parties: none

EMERGING DISPLAY TECHNOLOGIES CORP.
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(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

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

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

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

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

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

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

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

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

(ix) Trading in derivative instruments:

Please refer to note 6(b).

(b) Information on investees:

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

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP.
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(c) Information on investment in mainland China:

(i) Information on investment in Mainland China:

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January 1, 2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December 31, 2019	Net income of investee	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of December 31, 2019	Accumulated investment income repatriated to Taiwan as of December 31, 2019
				(USD\$6,746,936) (Note 1)	Remittance	Repatriation	(USD\$6,746,936)					
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)	(5,425)	95.80% (Note 2)	(5,197)	95,806 (Note 4)	-

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(ii) Limitation on investment in Mainland China:

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

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

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

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

Note 4: The amount includes \$5,900 which was invested by Ying Dar Investment Development Corp. and \$11,411 which was invested by Bae Haw Investment Development Corp.

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

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

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

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

(iii) Significant transactions:

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

(14) Segment information:

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

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 Financial position

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	2,950,694	2,744,601	206,093	7.51%
Property, plant and equipment	365,955	455,838	(89,883)	-19.72%
Intangible assets	3,777	2,471	1,306	52.85%
Other assets	316,440	191,158	125,282	65.54%
Total Assets	3,636,866	3,394,068	242,798	7.15%
Current liabilities	1,528,241	1,096,599	431,642	39.36%
Non-current liabilities	156,644	488,310	(331,666)	-67.92%
Total Liabilities	1,684,885	1,584,909	99,976	6.31%
Equity attributable to shareholders of the parent	1,892,106	1,742,230	149,876	8.60%
Capital stock	1,624,076	1,744,076	(120,000)	-6.88%
Capital surplus	4,397	28,226	(23,829)	-84.42%
Retained earnings	539,266	355,707	183,559	51.60%
Other equity interest	(102,612)	(112,570)	9,958	8.85%
Treasury stock	(173,021)	(273,209)	100,188	36.67%
Non-controlling interest	59,875	66,929	(7,054)	-10.54%
Total Equity	1,951,981	1,809,159	142,822	7.89%

Analysis of changes in financial ratios:

- A. The increase of other assets was due to increasing NT\$77,207 thousand of right-of-use assets for initial applying of IFRS 16 "Leases" and increasing NT\$57,834 thousand of net investment property for leasing EDTA's office to the third party.
- B. The increase of current liabilities and decrease of non-current liabilities were due to transferring long-term borrowings to current portion for the maturity of syndicated loan on August, 2020. The Company has planned to enter into a syndicated loan agreement of NT\$800 million with banks to repay the matured borrowings in the middle of 2020. Thus the Company's liquidity will not be affected.
- C. The decrease of capital surplus and treasury stock were due to cancelling 12,000 thousand shares of treasury stock in 2019.
- D. The increase of retained earnings was due to net income attributable to shareholders of the parent amounted NT\$257,325 thousand and distributing cash dividends amounted NT\$78,704.

7.2 Financial performance

7.2.1 Analysis of financial performance

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Operating revenue	4,107,559	2,818,735	1,288,824	45.72%
Gross profit	801,020	479,351	321,669	67.11%
Operating income	314,590	60,968	253,622	415.99%
Non-operating income and expenses	(10,690)	65,661	(76,351)	-116.28%
Income before tax	303,900	126,629	177,271	139.99%
Tax expense	46,853	14,466	32,387	223.88%
Net income	257,047	112,163	144,884	129.17%
Other comprehensive income (after tax)	10,820	(29,069)	39,889	137.22%
Total comprehensive income	267,867	83,094	184,773	222.37%

Analysis of changes over 20% in financial ratios:

- A. The increase of operating revenue, gross profit and operating income were due to the growing sales of smart home appliances in 2019. The gross profit and operating income were accordingly increased due to the increasing operating revenue and proper control of cost and expenses.
- B. The decrease of non-operating income and expenses were due to unfavorable exchange rates, thus caused foreign exchange losses increased NT\$74,800 thousand than 2018.
- C. The increase of income before tax and net income were due to operating revenue greatly increased in 2019.
- D. The increase of tax expense was due to income before tax increased in 2019.
- E. The increase of other comprehensive income (after tax) and total comprehensive income were due to unrealized gain from financial assets measured at fair value through other comprehensive income and net income increased in 2019.

7.2.2 Analysis of gross profit

Unit: NT\$ thousands

Item \ Year	2019	2018	Change %

Analysis of change:

The increase of gross profit was mainly due to operating revenue greatly increased in 2019.

7.2.3 Sales volume forecast and the basis therefor: Refer to page 3~4.

7.3 Cash flows

7.3.1 Analysis of cash flows for 2019

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
1,029,113	396,119	160,331	(187,532)	(29,779)	1,368,252	—	—

A. Analysis of cash flow:

- Operating activities: Net cash inflow was mainly due to income before tax increased.
- Investing activities: Net cash inflow was mainly due to the disposal of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.
- Financing activities: Net cash outflow was mainly due to the distribution of cash dividends and repayment of long-term borrowings.

B. Corrective measures to be taken in response to illiquidity: Not applicable.

7.3.2 Analysis of liquidity for 2020

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Net Cash Used in Investing and Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,368,252	337,000	(466,000)	1,239,252	—	—

A. Liquidity analysis: It is estimated that the Company will generate cash inflow from operating activities NT\$337,000 thousand in 2020. Further, it is estimated NT\$466,000 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\$1,239,252 thousand.

B. Remedial actions for liquidity shortfall: Not Applicable.

7.4 Major capital expenditure items: 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 increase of recent year's investment profit was due to the Company allocated production capacity and resource effectively. 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 Risk analysis and assessment

7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

A. Interest rate

The increase of interest rate will drive the higher capital cost, but its effect for short-term borrowing is smaller.

B. Exchange rate

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 The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

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 Research and development work to be carried out in the future, and further expenditures expected for research and development work:

Refer to page 3.

7.6.4 Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

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 Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

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 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

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 and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.

7.6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

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 associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

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 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

7.6.11 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: Not applicable.

7.6.12 Litigious and non-litigious matters: None.

7.6.13 Other important risks, and mitigation measures being or to be taken: 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 Affairs & Market: 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 / assets / miscellaneous goods to lower the risks of cost overrun.

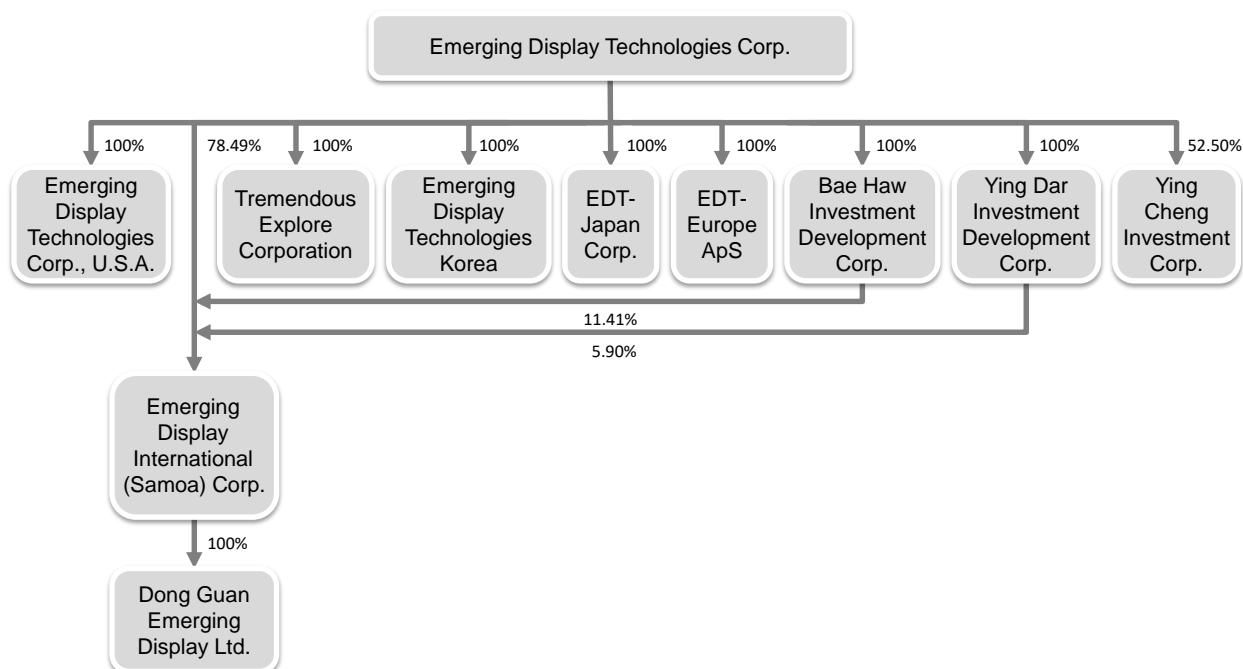
- I. Production Management: Responsible for overall production and processing schedule planning and resources planning management as well as ensuring that the production schedule meets the client delivery schedule to reduce delays of shipment.
- J. Quality Assurance: Responsible for quality assurance and verification as well as ensuring the level of quality to minimize negative images caused by abnormal quality.
- K. Production Process Development: Responsible for introducing the mass production, setting and improving the production process, and developing and introducing new process to lower the risks of production inefficiency.
- L. 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.
- M. LCD Module Research & Development, LCD Panel Research & Development, and R&D Center: 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.
- N. Manufacturing and Production Equipment: 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 Corp., U.S.A.	Sep. 23, 1994	390 Goddard, Irvine, CA 92618, 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	3F, No. 5, Central 1st Road, K.E.P.Z. Kaohsiung, Taiwan	89,000	Investment
Ying Dar Investment Development Corp.	Jun. 7, 2001	3F, No. 5, Central 1st Road, K.E.P.Z. Kaohsiung, 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	3F, No. 5, Central 1st Road, K.E.P.Z. Kaohsiung, 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 Corp., U.S.A.	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 Corp., U.S.A.	116,731	413,535	324,510	89,025	1,249,286	10,094	7,578	2.17
Emerging Display International (Samoa) Corp.	248,063	218,268	108,793	109,475	210,727	1,828	(5,447)	(0.71)
Dong Guan Emerging Display Ltd.	248,516	209,920	109,914	100,006	210,727	1,866	(5,425)	—
Tremendous Explore Corp.	—	259,388	0	259,388	214,165	2,408	9,668	—
EDT-Europe ApS	451	16,213	14,121	2,092	54,679	207	254	2.03
Bae Haw Investment Development Corp.	89,000	116,360	54	116,306	0	(123)	3,340	0.38
Ying Dar Investment Development Corp.	89,000	96,698	115	96,583	0	(112)	1,798	0.20
Emerging Display Technologies Korea	1,677	2,014	812	1,202	4,083	89	39	—
EDT-Japan Corp.	17,401	6,578	2,109	4,469	14,076	522	427	85.4
Ying Cheng Investment Corp.	160,000	116,422	50	116,372	0	(109)	(104)	(0.01)

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.