

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

**EMERGING DISPLAY TECHNOLOGIES CORP. AND
SUBSIDIARIES**

**For the six months ended June 30, 2019 and 2018
(With Independent Auditors' Review Report Thereon)**

**Address: No. 5, Central 1st Rd., Kaohsiung Export Processing
Zone, Kaohsiung, Taiwan, R.O.C.
Telephone: 886-7-812-4832**

Table of contents

Contents	Page
1. Cover page	1
2. Table of contents	2
3. Independent auditors' review report	3
4. Consolidated balance sheets	4
5. Consolidated statements of comprehensive income	5
6. Consolidated statements of changes in equity	6
7. Consolidated statements of cash flows	7
8. Notes to consolidated financial statements	
(1) Organization and business scope	8
(2) Financial statements authorization date and authorization process	8
(3) Application of New and Revised International Financial Reporting Standards and Interpretations	8～10
(4) Summary of significant accounting policies	11～14
(5) Significant accounting assumptions and judgments, and major sources of estimates uncertainty	14
(6) Explanation of significant accounts	14～42
(7) Transactions with Related Parties	42
(8) Pledged assets	42
(9) Commitments and contingencies	43
(10) Losses due to major disaster	43
(11) Significant subsequent events	43
(12) Other	43
(13) Supplementary Disclosure Requirements	
(a) Information on significant transactions	43～46
(b) Information on investees	46～47
(c) Information on investments in Mainland China	47～48
(14) Segment information	48～49

Independent Auditors' Review Report

The Board of Director's
Emerging Display Technologies Corp

Introduction

We have reviewed the accompanying consolidated balance sheets of Emerging Display Technologies Corp. (the Company) and subsidiaries as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and the six months ended June 30, 2019 and 2018, and changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed issued into effect and by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain nonsignificant subsidiaries, which were not reviewed by independent accountants. These financial statements reflect total assets amounting to \$268,783 thousand and \$291,321 thousand, constituting 7.96% and 9.18% of consolidated total assets as of June 30, 2019 and 2018, respectively, total liabilities amounting to \$77,951 thousand and \$78,172 thousand, constituting 5.09% and 5.78% of consolidated total liabilities as of June 30, 2019 and 2018, respectively, and total comprehensive income amounting to \$13,350 thousand, \$4,445 thousand, \$11,732 thousand and \$2,556 thousand, constituting 8.8%, 7.2%, 7.11% and 5.07% of consolidated total comprehensive income for the three months and the six months ended June 30, 2019 and 2018, respectively.

Qualified Conclusion

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Emerging Display Technologies Corp. and subsidiaries as of June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

August 6, 2019

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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019, December 31, 2018, and June 30, 2018

(Expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

Assets	June 30, 2019		December 31, 2018		June 30, 2018		Liabilities and Equity	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets :							Current liabilities :						
Cash and cash equivalents (Note 6(a))	\$ 953,282	28	1,029,113	30	966,567	30	Short-term borrowings (Note 6(l))	\$ 150,000	5	370,000	11	280,000	9
Financial assets at fair value through profit or loss, current (Note 6(b))	56,026	2	126,459	4	130,733	4	Financial liability at fair value through profit and loss (Note 6(b))	574	-	-	-	-	-
Financial assets at fair value through other comprehensive income, current (Note 6(c))	160,320	5	203,906	6	189,894	6	Notes payable	1,394	-	720	-	1,271	-
Accounts receivable, net (Note 6(d))	613,706	18	468,844	14	431,617	14	Accounts payable	451,748	13	459,356	14	309,942	10
Other receivables (Notes 6(e) and 6 (x))	13,931	-	15,840	-	19,489	1	Other payables	301,462	9	237,415	7	247,550	8
Income tax assets	78	-	630	-	1,471	-	Income tax liabilities	31,519	1	14,199	-	17,118	1
Inventories (Note 6(f))	788,821	24	844,538	25	736,724	23	Lease liabilities, current (Note 6(n))	11,826	-	-	-	-	-
Other current assets (Notes 6(g) and 8)	66,253	2	55,271	2	41,349	1	Other current liabilities (Notes 6(g))	21,826	1	14,909	-	15,094	-
Total current assets	2,652,417	79	2,744,601	81	2,517,844	79	Total current liabilities	970,349	29	1,096,599	32	870,975	28
Non-current assets :							Non-current liabilities :						
Financial assets at fair value through other comprehensive income, non-current (Note 6(c))	163,028	5	152,526	5	159,799	6	Long-term borrowings (Notes 6(m) and 8)	399,221	12	398,888	12	398,616	12
Property, plant and equipment (Notes 6(i) ,8 and 9)	438,937	13	455,838	13	444,578	14	Deferred income tax liabilities	932	-	932	-	-	-
Right-of-use assets (Notes 6(j))	83,420	2	-	-	-	-	Lease liabilities, non-current (Notes 6(n))	72,313	2	-	-	-	-
Intangible assets (Note 6(k))	2,028	-	2,471	-	3,257	-	Net defined benefit liabilities, non-current	86,908	3	88,226	3	81,772	3
Deferred income tax assets	28,165	1	28,132	1	38,404	1	Guarantee deposits received	266	-	264	-	262	-
Prepayments for business facilities	-	-	-	-	165	-	Other non-current liabilities — other	1,039	-	-	-	-	-
Other non-current financial assets (Notes 6(g) and 8)	7,837	-	10,500	-	10,927	-	Total non-current liabilities	560,679	17	488,310	15	480,650	15
Total non-current assets	723,415	21	649,467	19	657,130	21	Total liabilities	1,531,028	46	1,584,909	47	1,351,625	43
							Equity attributable to owners of parent (note 6(r)) :						
							Capital stock	1,624,076	48	1,744,076	51	1,794,076	57
							Capital surplus	-	-	28,226	1	23,995	1
							Retained earnings	413,468	12	355,707	10	294,325	9
							Other equity interest	(89,233)	(3)	(112,570)	(3)	(87,055)	(3)
							Treasury stock	(173,021)	(5)	(273,209)	(8)	(273,209)	(9)
							Total equity attributable to shareholders of the parent	1,775,290	52	1,742,230	51	1,752,132	55
							Non-controlling interests(Note 6(h))	69,514	2	66,929	2	71,217	2
							Total equity	1,844,804	54	1,809,159	53	1,823,349	57
Total assets	\$ 3,375,832	100	3,394,068	100	3,174,974	100	Total liabilities and equity	\$ 3,375,832	100	3,394,068	100	3,174,974	100

See accompanying notes to financial statements.

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

For the three months and the six months ended June 30, 2019 and 2018

(Expressed in thousands of New Taiwan dollars, Except Earnings Per Share)

(Reviewed, not audited)

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 6(t))	\$ 1,012,590	100	660,229	100	1,903,571	100	1,364,908	100
Operating cost (Notes 6(f, p & u) and 12)	813,952	80	551,374	84	1,547,076	81	1,151,756	84
Gross profit	198,638	20	108,855	16	356,495	19	213,152	16
Operating expenses (Notes 6(d, p & u) ,7and 12) :								
Selling expenses	57,893	6	46,267	7	112,754	6	92,371	7
General and administrative expenses	34,376	3	32,890	5	64,262	3	61,540	5
Research and development expenses	25,668	3	26,601	4	50,747	3	47,618	3
Expected credit impairment loss (gain)	(4)	-	203	-	(1,125)	-	(55)	-
Total operating expenses	117,933	12	105,961	16	226,638	12	201,474	15
Net other income (Note 6(v))	-	-	654	-	-	-	1,140	-
Net operating income	80,705	8	3,548	-	129,857	7	12,818	1
Non-operating income and expenses(Notes 6(n),6(w)) :								
Other income	5,446	1	5,604	1	10,123	1	10,036	1
Other gains and losses	14,130	1	67,035	10	26,478	1	30,287	2
Finance costs	(3,554)	-	(2,948)	-	(7,241)	-	(6,381)	-
Total Non-operating income and expenses	16,022	2	69,691	11	29,360	2	33,942	3
Profit before income tax	96,727	10	73,239	11	159,217	9	46,760	4
Less: Income tax expense (Note 6(q))	15,098	1	14,861	2	24,972	1	4,114	-
Profit	81,629	9	58,378	9	134,245	8	42,646	4
Other comprehensive income :								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	19,056	2	1,446	-	27,926	1	5,768	-
Less : Income tax related to items that will not be reclassified subsequently (Note 6(q))	-	-	-	-	-	-	-	-
	19,056	2	1,446	-	27,926	1	5,768	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	(317)	-	1,873	-	2,916	-	2,000	-
Less: Income tax related to items that will be reclassified subsequently (Note 6(q))	-	-	-	-	-	-	-	-
	(317)	-	1,873	-	2,916	-	2,000	-
Other comprehensive income, net	18,739	2	3,319	-	30,842	1	7,768	-
Comprehensive income	\$ 100,368	11	61,697	9	165,087	9	50,414	4
Profit attributable to :								
Shareholders of the parent	\$ 81,696	9	58,345	9	134,317	8	42,872	4
Non-controlling interests	(67)	-	33	-	(72)	-	(226)	-
Net Profit	\$ 81,629	9	58,378	9	134,245	8	42,646	4
Comprehensive income attributable to :								
Shareholders of the parent	\$ 94,845	10	58,564	9	162,502	9	46,407	4
Non-controlling interests	5,523	1	3,133	-	2,585	-	4,007	-
Total comprehensive income	\$ 100,368	11	61,697	9	165,087	9	50,414	4
Earnings per share (Note 6(s))(expressed in New Taiwan dollars) :								
Basic earnings per share	\$ 0.55		0.37		0.90		0.27	
Diluted earnings per share	\$ 0.55		0.37		0.90		0.27	

See accompanying notes to consolidated financial statements.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

(Reviewed, not audited)

	Equity attributable to shareholders of parent												
	Retained earnings					Other equity interest				Treasury stock	Total equity attributable to shareholders of parent	Non-controlling interests	Total Equity
						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					
	Capital stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings								
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 at January 1,2018 after adjustments	1,834,076	23,873	40,391	123,710	153,249	(8,709)	-	(79,429)	-	(273,209)	1,813,952	67,210	1,881,162
Profit	-	-	-	-	42,872	-	-	-	-	-	42,872	(226)	42,646
Other comprehensive income	-	-	-	-	-	1,985	-	1,550	-	-	3,535	4,233	7,768
Total comprehensive income	-	-	-	-	42,872	1,985	-	1,550	-	-	46,407	4,007	50,414
Appropriation and distribution of retained earnings :													
Legal reserve	-	-	5,431	-	(5,431)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(68,349)	-	-	-	-	-	(68,349)	-	(68,349)
Reversal of special reserve	-	-	-	(14,498)	14,498	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(39,878)	(39,878)	-	(39,878)
Retirement of treasury stock	(40,000)	122	-	-	-	-	-	-	-	39,878	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,452	-	-	(2,452)	-	-	-	-	-
Balance as of June 30, 2018	\$ 1,794,076	23,995	45,822	109,212	139,291	(6,724)	-	(80,331)	-	(273,209)	1,752,132	71,217	1,823,349
Balance at January 1, 2019	\$ 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	-	-	-	-	134,317	-	-	-	-	-	134,317	(72)	134,245
Other comprehensive income	-	-	-	-	-	2,852	-	25,333	-	-	28,185	2,657	30,842
Total comprehensive income	-	-	-	-	134,317	2,852	-	25,333	-	-	162,502	2,585	165,087
Appropriation and distribution of retained earnings :													
Legal reserve	-	-	11,193	-	(11,193)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(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	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	4,848	-	-	(4,848)	-	-	-	-	-
Balance as of June 30, 2019	\$ 1,624,076	-	57,015	151,307	205,146	(5,419)	-	(83,814)	-	(173,021)	1,775,290	69,514	1,844,804

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 June 30, 2019 and 2018
(expressed in thousands of New Taiwan Dollars)

(Reviewed, not audited)

	For the six months ended June 30	
	2019	2018
Cash flows from (used in) operating activities :		
Profit before tax	\$ 159,217	46,760
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	42,034	31,683
Amortization expense	582	827
Reversal of expected credit impairment gain	(1,125)	(55)
Loss (gain) on financial assets or liabilities at fair value through profit or loss	(6,333)	2,866
Interest expense	7,241	6,381
Interest income	(9,730)	(8,851)
Dividend income	-	(690)
Gain on disposal of property, plant and equipment	(560)	(2,854)
Unrealized foreign exchange gain	(6,531)	(43,245)
Total adjustments to reconcile profit	25,578	(13,938)
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease (increase) in accounts receivable	(142,613)	71,091
Decrease in other receivable	2,240	435
Decrease in inventories	56,909	46,531
Decrease (increase) in other current assets	(10,851)	10,275
Total net changes in operating assets	(94,315)	128,332
Net changes in operating liabilities :		
Increase in notes payable	674	130
Decrease in accounts payable	(8,396)	(42,711)
Decrease in other payable	(14,554)	(28,050)
Increase (decrease) in other current liabilities	6,859	(5,115)
Decrease in net defined benefit liability	(1,318)	(1,226)
Increase in other non-current liabilities	1,039	-
Total net changes in operating liabilities	(15,696)	(76,972)
Total net changes in operating assets and liabilities	(110,011)	51,360
Total adjustments	(84,433)	37,422
Cash inflow generated from (used in) operating activities	74,784	84,182
Interest received	9,399	9,666
Interest paid	(6,918)	(6,043)
Income taxes paid	(7,149)	(10,966)
Net cash flows from (used in) operating activities	70,116	76,839
Cash flows from (used in) investing activities :		
Acquisition of financial assets at fair value through profit or loss	(64,260)	(58,780)
Proceeds from disposal of financial assets at fair value through profit or loss	141,601	189,195
Acquisition of financial assets at fair value through other comprehensive income	-	(56,048)
Proceeds from disposal of financial assets at fair value through other comprehensive income	63,712	22,405
Prepayments on long-term equity investment	-	(2,700)
Acquisition of property, plant and equipment	(17,091)	(73,652)
Proceeds from disposal of property, plant, equipment	560	-
Acquisition of intangible assets	(140)	(542)
Decrease in other financial assets	301	1,062
Net cash flows from investing activities	124,683	20,940
Cash flows from (used in) financing activities :		
Decrease in short-term borrowings	(220,000)	(277,000)
Increase in guarantee deposits received	-	221
Payments to acquire treasury shares	(50,738)	(39,878)
Repayments of lease liabilities	(6,394)	-
Net cash flows from (used in) financing activities	(277,132)	(316,657)
Effect of exchange rate changes on cash and cash equivalents	6,502	36,725
Net decrease in cash and cash equivalents	(75,831)	(182,153)
Cash and cash equivalents at beginning of period	1,029,113	1,148,720
Cash and cash equivalents at end of period	\$ 953,282	966,567

See accompanying notes to consolidated financial statements.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

For the six months ended June 30, 2019 and 2018

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

(Reviewed, not audited)

(1) Organization and Business Scope

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

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the Board of Directors on August 6, 2019.

(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 :

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
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 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".

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

(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(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(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-i.e. These leases are 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) 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%.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 :

	<u>January 1, 2019</u>
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	<u>78,912</u>
	<u>\$ 129,204</u>
Lease liability recognized on January 1, 2019	<u>\$ 90,510</u>

(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 :

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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 :

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The Group is evaluating the impact on its financial position and financial performance upon its initial adoption of the above mentioned standards or interpretations.

(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 :

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 17 Insurance Contracts	January 1, 2021

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(4) Summary of Significant Accounting Policies

(a) Statement of compliance

The consolidated financial statements have been prepared in conforming with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed by FSC. These consolidated financial statements do not include all of the information required by the Regulations and by the IFRS endorsed by the FSC for full annual consolidated financial statements.

Except as described below, the significant accounting policies for the consolidated financial statement applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. Please refer to Note 4 of 2018 consolidated financial statement for detail information.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are as follows :

Name of investor	Name of the subsidiary	Business Activity	Percentage ownership			Remarks
			2019.6.30	2018.12.31	2018.6.30	
The Company	Emerging Display Technologies Corp., U.S.A	Sale of CTP and LCDs	100.00%	100.00%	100.00%	Major Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Investment holding	78.49%	78.49%	78.49%	Note
The Company	EDT-Europe ApS	Customer service and business support	100.00%	100.00%	100.00%	Note
The Company	Tremendous Explore Corp.	Trading	100.00%	100.00%	100.00%	Note
The Company	Emerging Display Technologies Korea	Business support	100.00%	100.00%	100.00%	Note
The Company	EDT-Japan Corp.	Customer service and business support	100.00%	100.00%	100.00%	Note
The Company	Ying Dar Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Bae Haw Investment Development Corp.	Investment	100.00%	100.00%	100.00%	Note
The Company	Ying Cheng Investment Corp.	Investment	52.50%	52.50%	52.50%	Note
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	5.90%	5.90%	5.90%	Note
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Investment holding	11.41%	11.41%	11.41%	Note
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	Manufacturing of CTP and LCDs	100.00%	100.00%	100.00%	Note

Note: Quarterly financial reports are unaudited for non-major subsidiaries.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(c) 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.

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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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.

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 there 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.

(d) **Income tax**

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

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(e) **Employee benefit**

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

(5) **Critical Accounting Judgement and Key Sources of Estimation and Uncertainty**

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

Except as described below, in preparing the consolidated financial statements, critical accounting judgments and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2018.

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

(6) **Explanation of significant accounting items**

The explanation of significant accounting items of this quarterly consolidated financial statements had no significant difference compared with the Group consolidated financial statements for the year ended December 31, 2018. Please refer to Note 6 of 2018 consolidated financial statements.

(a) **Cash and cash equivalents**

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Cash and cash equivalents	\$ 499	268	191
Demand deposits	345,427	220,110	324,451
Check deposits	1,090	440	288
Time deposits	574,519	777,363	641,637
Repurchase agreement	31,747	30,932	-
Total	<u>\$ 953,282</u>	<u>1,029,113</u>	<u>966,567</u>

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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Current financial assets mandatorily measured at fair value through profit or loss :			
Open-end mutual funds	\$ 56,026	126,080	129,076
Swap Contract	-	379	1,657
Total	<u>\$ 56,026</u>	<u>126,459</u>	<u>130,733</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Current financial liabilities measured at fair value through profit or loss :			
Swap Contract	\$ <u>574</u>	<u>-</u>	<u>-</u>

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

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 :

Forward exchange contract :

	<u>2019.6.30</u>		
	<u>Contract amount</u>		
	<u>(in thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Swap contract	USD 5,000	TWD to USD	2019.09.03~2019.09.30
	<u>2018.12.31</u>		
	<u>Contract amount</u>		
	<u>(in thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Swap contract	USD 3,000	TWD to USD	2019.01.22~2019.03.04
	<u>2018.6.30</u>		
	<u>Contract amount</u>		
	<u>(in thousand)</u>	<u>Currency</u>	<u>Maturity period</u>
Swap contract	USD 2,000	TWD to USD	2018.08.30~2018.09.07

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

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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Equity instruments at fair value through other comprehensive income-current :			
Common stocks listed on domestic markets-current :			
Innolux Corp.	\$ 8,408	11,150	12,561
Fubon Financial Holding Co., Ltd	13,755	14,115	15,330
E.SUN Financial Holding Co., Ltd.	-	29,864	21,250
Radiant Opto Electronics Corp.	26,000	21,125	15,250

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Taiwan Cement Corp., Ltd.	15,197	11,748	12,705
Synnex Technology International Co., Ltd.	17,862	16,671	-
King Yuan Electronics Co., Ltd.	15,249	24,854	24,115
Nan Ya Plastics Corporation	16,506	15,855	18,312
Pegatron Co., Ltd.	11,599	11,102	13,543
Mega Financial Holding Co., Ltd	-	14,403	14,930
Coasia Microelectronics Corp.	4,000	4,265	5,783
Shian Yih Electronic Co., Ltd.	31,020	28,059	35,321
AGV Products Corporation	724	695	794
Total	<u><u>\$ 160,320</u></u>	<u><u>203,906</u></u>	<u><u>189,894</u></u>

Equity instruments at fair value through
other comprehensive income-noncurrent:

Common stocks unlisted on domestic
markets – non-current:

Ascendax Venture Capital Corp.	\$ 15,509	11,388	10,000
Chenfeng Optronics Corp.	<u>146,650</u>	<u>140,280</u>	<u>148,960</u>
Total	<u>162,159</u>	<u>151,668</u>	<u>158,960</u>

Preference stocks listed on domestic
markets- non-current:

Fubon Financial Holding Co., Ltd	<u>869</u>	<u>858</u>	<u>839</u>
Total	<u><u>\$ 163,028</u></u>	<u><u>152,526</u></u>	<u><u>159,799</u></u>

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 three months and six months ended June 30, 2019 and 2018, the Group has recognized dividend income \$0, \$690, \$0 and \$690 from the abovementioned equity instruments designated at fair value through other comprehensive income, respectively.

For the six months ended June 30, 2019 and 2018, the Group with the objective of investment and financial management had sold financial assets at fair value of \$63,712 and \$22,496, and accumulated gain on disposal of investments were \$4,848 and \$2,452, which had been reclassified from other equity interest to retained earnings, respectively.

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

The abovementioned financial assets were not pledged as collateral.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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 June 30, 2019 and 2018, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to \$34,408 and \$27,811, respectively.

(d) Accounts receivable

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Accounts receivables-measured at amortized cost	\$ 632,914	489,171	454,206
Allowance for impairment	<u>(19,208)</u>	<u>(20,327)</u>	<u>(22,589)</u>
	<u>\$ 613,706</u>	<u>468,844</u>	<u>431,617</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>2019.6.30</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	\$ 523,593	0.02%	116
Overdue less than 90 days	86,148	0.36%	308
Overdue 91~180 days	4,393	0.10%	4
Overdue 181~270 days	-	-	-
Overdue 271~365 days	9	100.00%	9
Overdue over 365 days	<u>18,771</u>	100.00%	<u>18,771</u>
	<u>\$ 632,914</u>		<u>19,208</u>

	<u>2018.12.31</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	\$ 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	<u>19,694</u>	100.00%	<u>19,694</u>
	<u>\$ 489,171</u>		<u>20,327</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2018.6.30		
	Carrying amount of Accounts Receivable	Weighted-average expected credit loss rate	Loss allowance for lifetime expected credit losses
Not over due	\$ 373,877	-	-
Overdue less than 90 days	55,475	-	-
Overdue 91~180 days	2,500	9.67%	242
Overdue 181~270 days	8	15.02%	1
Overdue 271~365 days	-	-	-
Overdue over 365 days	<u>22,346</u>	100.00%	<u>22,346</u>
	<u>\$ 454,206</u>		<u>22,589</u>

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

	For the six months ended June 30	
	2019	2018
Balance at January 1	\$ 20,327	22,644
Reversal of impairment loss	(1,125)	(55)
Effect of changes in foreign currency exchange rates	6	-
Ending balance	<u>\$ 19,208</u>	<u>22,589</u>

The abovementioned financial assets were not pledged as collateral.

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

(e) **Other receivables**

	2019.6.30	2018.12.31	2018.6.30
Other receivables	\$ 13,931	15,840	19,489
Allowance for impairment	-	-	-
	<u>\$ 13,931</u>	<u>15,840</u>	<u>19,489</u>

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

(f) **Inventories**

	2019.6.30	2018.12.31	2018.6.30
Raw materials and supplies	\$ 243,505	276,384	264,409
Work in process	264,082	284,561	225,109
Finished goods	275,186	273,436	242,474
Inventories in transit	<u>6,048</u>	<u>10,157</u>	<u>4,732</u>
	<u>\$ 788,821</u>	<u>844,538</u>	<u>736,724</u>

For the three months and six months ended June 30, 2019 and 2018, the previous write-down inventories had been sold and the net realizable value of inventories lowered than cost was no longer existed, the reversal of write-downs amounted to \$4,598 and \$13,658, \$2,373, and \$11,534 were recognized in the reduction of operating costs, respectively.

Inventories were not pledged as collateral.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(g) Other current assets

The details of other current assets are as follows :

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Income tax refund receivable	\$ 2,756	2,217	1,299
Prepayment for purchases	50,488	30,987	4,212
Prepaid expense	4,361	6,110	6,641
Prepaid sales tax	3,248	11,458	21,928
Restricted time deposits	1,808	2,102	5,090
Refundable deposits	7,264	7,234	7,666
Prepaid investment	-	2,700	2,700
Assets for right to recover product to be returned	4,165	2,963	2,740
	<u>\$ 74,090</u>	<u>65,771</u>	<u>52,276</u>
Book as :			
Other current assets	\$ 66,253	55,271	41,349
Other financial assets — non-current	7,837	10,500	10,927
	<u>\$ 74,090</u>	<u>65,771</u>	<u>52,276</u>

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

(h) Non-controlling interests' share of subsidiaries

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

<u>Name of subsidiaries</u>	<u>Principal place of business</u>	<u>Proportion of non-controlling interest voting equity</u>		
		<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Ying Cheng Investment Corp.	Taiwan	47.5%	47.5%	47.5%
Emerging Display International (Samoa) Corp.	Samoa	4.2%	4.2%	4.2%

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

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

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Current asset	\$ 10,145	10,206	12,576
Non-current asset	125,700	120,240	127,680
Current liability	-	(50)	(3)
Net asset	<u>\$ 135,845</u>	<u>130,396</u>	<u>140,253</u>
Non-controlling equity closing book amount	<u>\$ 64,527</u>	<u>61,939</u>	<u>66,620</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Operating revenue	\$ -	-	-	-
Net loss	\$ (5)	(3)	(11)	(9)
Other comprehensive income	11,880	6,660	5,460	8,880
Comprehensive income	<u>\$ 11,875</u>	<u>6,657</u>	<u>5,449</u>	<u>8,871</u>
Loss attributable to non-controlling interest	<u>\$ (2)</u>	<u>(1)</u>	<u>(5)</u>	<u>(4)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 5,640</u>	<u>3,161</u>	<u>2,588</u>	<u>4,213</u>
		January to June, 2019	January to June, 2018	
Cash flow from operating activities		\$ (61)	(187)	
Cash flow from investing activities		-	-	
Cash flow from financing activities		-	-	
Net decrease in cash and cash equivalents		<u>\$ (61)</u>	<u>(187)</u>	

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

	2019.6.30	2018.12.31	2018.6.30
Current asset	\$ 124,989	133,725	121,246
Non-current asset	26,093	13,225	9,977
Current liability	(27,926)	(28,132)	(21,759)
Non-current liability	<u>(4,414)</u>	-	-
Net asset	<u>\$ 118,742</u>	<u>118,818</u>	<u>109,464</u>
Non-controlling equity closing book amount	<u>\$ 4,987</u>	<u>4,990</u>	<u>4,597</u>

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Operating revenue	<u>\$ 59,410</u>	<u>75,427</u>	<u>103,862</u>	<u>126,434</u>
Net profit(loss)	\$ (1,551)	840	(1,601)	(5,270)
Other comprehensive income	<u>(1,264)</u>	<u>(1,517)</u>	<u>1,524</u>	<u>361</u>
Comprehensive income	<u>\$ (2,815)</u>	<u>(677)</u>	<u>(77)</u>	<u>(4,909)</u>
Profit (loss) attributable to non-controlling interest	<u>\$ (65)</u>	<u>34</u>	<u>(67)</u>	<u>(222)</u>
Comprehensive income attributable to non-controlling interest	<u>\$ (117)</u>	<u>(28)</u>	<u>(3)</u>	<u>(206)</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	<u>January to June, 2019</u>	<u>January to June, 2018</u>
Cash flow from operating activities	\$ 13,358	10,165
Cash flow from investing activities	(3,085)	(462)
Cash flow from financing activities	(3,020)	-
Effects of changes in foreign exchange rates	<u>12</u>	<u>(572)</u>
Net increase in cash and cash equivalents	<u>\$ 7,265</u>	<u>9,131</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	-	2,441	1,292	680	12,332	16,745
Reclassification	-	30,113	4,979	-	(35,092)	-
Disposals	-	-	(19,944)	(247)	(2,582)	(22,773)
Effect of movements in exchange rates	<u>839</u>	<u>949</u>	<u>2,517</u>	<u>110</u>	<u>73</u>	<u>4,488</u>
Balance at June 30, 2019	<u>\$ 75,548</u>	<u>1,059,680</u>	<u>2,386,934</u>	<u>28,707</u>	<u>123,662</u>	<u>3,674,531</u>
Balance at January 1, 2018	\$ 47,370	993,922	2,570,386	31,291	98,296	3,741,265
Additions	22,496	21,547	4,259	-	35,182	83,484
Reclassification	-	-	3,453	-	(3,453)	-
Disposals	-	(1,755)	(6,859)	(39)	-	(8,653)
Effect of movements in exchange rates	<u>1,115</u>	<u>710</u>	<u>1,391</u>	<u>202</u>	<u>34</u>	<u>3,452</u>
Balance at June 30, 2018	<u>\$ 70,981</u>	<u>1,014,424</u>	<u>2,572,630</u>	<u>31,454</u>	<u>130,059</u>	<u>3,819,548</u>
Depreciation :						
Balance at January 1, 2019	\$ -	790,562	2,332,102	26,642	70,927	3,220,233
Depreciation for the year	-	7,734	12,890	370	13,926	34,920
Disposals	-	-	(19,944)	(247)	(2,582)	(22,773)
Effect of movements in exchange rates	<u>-</u>	<u>574</u>	<u>2,497</u>	<u>103</u>	<u>40</u>	<u>3,214</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>798,870</u>	<u>2,327,545</u>	<u>26,868</u>	<u>82,311</u>	<u>3,235,594</u>
Balance at January 1, 2018	\$ -	766,947	2,486,900	29,346	66,661	3,349,854
Depreciation for the year	-	7,263	15,817	428	8,175	31,683
Disposals	-	(1,755)	(6,796)	(39)	-	(8,590)
Effect of movements in exchange rates	<u>-</u>	<u>461</u>	<u>1,358</u>	<u>191</u>	<u>13</u>	<u>2,023</u>
Balance at June 30, 2018	<u>\$ -</u>	<u>772,916</u>	<u>2,497,279</u>	<u>29,926</u>	<u>74,849</u>	<u>3,374,970</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	Land	Building and construction	Machinery and equipment	Office equipment	Other	Total
Carrying amounts :						
Balance at January 1, 2019	\$ 74,709	235,615	65,988	1,522	78,004	455,838
Balance at June 30, 2019	\$ 75,548	260,810	59,389	1,839	41,351	438,937
Balance at January 1, 2018	\$ 47,370	226,975	83,486	1,945	31,635	391,411
Balance at June 30, 2018	\$ 70,981	241,508	75,351	1,528	55,210	444,578

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

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

(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	-	118	-	118
Disposals	-	(711)	-	(711)
Effect of changes in foreign exchange rates	-	(105)	2	(103)
Balance at June 30, 2019	\$ 67,226	22,367	221	89,814
Depreciation :				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation for the period	1,378	5,670	66	7,114
Disposals	-	(711)	-	(711)
Effect of changes in foreign exchange rates	-	(9)	-	(9)
Balance at June 30, 2019	\$ 1,378	4,950	66	6,394
Carrying amounts :				
Balance at June 30, 2019	\$ 65,848	17,417	155	83,420

The Group leases offices and warehouses, and factory equipment, under operating leases, for the six months ended June 30, 2018; please refer to note 6(o).

(k) Intangible assets

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

	Patent and other	Computer software cost	Total
Book value detail as below:			
Balance at January 1, 2019	\$ 1,703	768	2,471
Balance at June 30, 2019	\$ 1,586	442	2,028
Balance at January 1, 2018	\$ 2,002	1,538	3,540
Balance at June 30, 2018	\$ 1,896	1,361	3,257

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

There was no significant increase for acquisition, disposal, reversal or write-down of impairment loss of intangible assets for the six months ended June, 2019 and 2018. Please refer Note 12(a) for amortization amount. Other related information, please refer to Note 6(n) of 2018 consolidated financial statements.

Intangible assets were not pledged as collateral.

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Unsecured bank borrowings	\$ <u>150,000</u>	<u>370,000</u>	<u>280,000</u>
Unused lines of credit	\$ <u>1,461,225</u>	<u>1,315,911</u>	<u>1,519,547</u>
Range of interest rates	<u>1.019%~1.047%</u>	<u>0.95%~1.05%</u>	<u>0.95%~1.05%</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's acceptance credit for purchases of raw materials amounted to \$2,960,\$6,374 and \$11,860, respectively.

Please refer to note 6(x) for the interest rate risk and sensitivity analysis of the financial liabilities of the Group.

(m) Long-term borrowings

The details of long-term borrowings were as follows :

	<u>2019.6.30</u>	<u>2018.12.31</u>	<u>2018.6.30</u>
Secured bank loans	\$ 400,000	400,000	400,000
Less: discount on long-term borrowings	<u>(779)</u>	<u>(1,112)</u>	<u>(1,384)</u>
Total	\$ <u>399,221</u>	<u>398,888</u>	<u>398,616</u>
Unused long-term credit lines	\$ <u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Range of interest rates	<u>1.8050%</u>	<u>1.8019%</u>	<u>1.7974%</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 Company will repay the total borrowing upon maturity. The Company borrowed \$400,000 thousand at August 15, 2017. For the related information and concerned restricted terms, please refer to Note 6(p) of 2018 consolidated financial statements.

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(n) Lease liabilities

The details of lease liabilities were as follows :

	2019.6.30		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 14,688	2,862	11,826
Between one and five years	24,222	8,080	16,142
Over five years	82,815	26,644	56,171
	<u>\$ 121,725</u>	<u>37,586</u>	<u>84,139</u>
Current	<u>\$ 14,688</u>	<u>2,862</u>	<u>11,826</u>
Non-Current	<u>\$ 107,037</u>	<u>34,724</u>	<u>72,313</u>

There was no significant issue, repurchase or repayment of the lease liability arising from the addition or dissolution for leases typically for the six months ended June, 2019.

The amounts recognized in profit or loss were as follows :

	April to June, 2019	January to June, 2019
Interest on lease liabilities	<u>\$ 813</u>	<u>1,666</u>
Expenses relating to short-term leases	<u>\$ 274</u>	<u>595</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 80</u>	<u>159</u>

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

	January to June, 2019
Total cash outflow for leases	<u>9,039</u>

(i) Lease of land, Building and construction

As of June 30, 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 equipments 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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(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 for the six months ended June, 2018. Please refer to Note 6(o).

(o) Operating lease

There was no increase for operating lease for the six months ended June 30, 2018. Please refer to Note 6(q) of the 2018 consolidated financial statements.

(p) Employee benefits

(i) Defined benefit plan

There were no significant market fluctuations, curtailments, settlement or other one-time events after the end the previous financial year, the pension cost measurement and disclosure of interim pension cost were calculated based on actuarial adopted on December 31, 2018 and 2017.

Cost recognized in expense was as below :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Operating cost	\$ 330	365	662	733
Selling expenses	15	17	29	33
General and administrative expenses	47	51	94	101
Research and development expenses	38	41	76	81
	<u>\$ 430</u>	<u>474</u>	<u>861</u>	<u>948</u>

(ii) Defined Contribution Plan

Cost recognized in expense was as below :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Operating cost	\$ 5,755	5,614	11,310	11,337
Selling expenses	1,299	1,286	2,546	2,531
General and administrative expenses	539	538	1,056	1,052
Research and development expenses	648	582	1,256	1,156
	<u>\$ 8,241</u>	<u>8,020</u>	<u>16,168</u>	<u>16,076</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(q) Income tax

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

The amounts of income tax expense were as follows :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Current tax expense				
Current	\$ 15,101	9,721	25,000	9,818
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	(3)	5,140	(28)	21
Change in tax rate	-	-	-	(5,725)
	(3)	5,140	(28)	(5,704)
Income tax expense	<u>\$ 15,098</u>	<u>14,861</u>	<u>24,972</u>	<u>4,114</u>

For the six months ended June 30, 2019 and 2018, no income tax was recognized directly in equity.

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

(r) Share capital and other equity

The Group had no share capital change for the six months ended June, 2019 and 2018 except below statement. Please refer to Note 6(t) of 2018 consolidated financial statements for detail information.

(i) Capital Stock

As of June, 2019, December 31 and June 30, 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, outstanding shares of stock are 162,408,174,408 thousand shares and 179,408 thousand shares, respectively. 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, 153,613 thousand shares and 158,613 thousand shares, respectively.

(ii) Capital surplus

Capital surplus was as follows :

	2019.6.30	2018.12.31	2018.6.30
Treasury stock	\$ -	28,226	23,995

(iii) 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:

	2018	2017
Cash dividend to shareholders (TWD)		
Cash	\$ 0.5	0.40827680 (Note)

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(iv) 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	\$ (8,271)	(104,299)	-	(112,570)
— Changes of the Group	2,852	25,333	-	28,185
— Disposal of investments in equity instrument at FVOCI	-	(4,848)	-	(4,848)
Balance at June 30, 2019	<u>\$ (5,419)</u>	<u>(83,814)</u>	<u>-</u>	<u>(89,233)</u>
Balance at January 1, 2018	\$ (8,709)	-	(66,163)	(74,872)
Adjustments on initial application of new standards	-	(79,429)	66,163	(13,266)
Balance at January 1, 2018 after adjustments	(8,709)	(79,429)	-	(88,138)
— Changes of the Group	1,985	1,550	-	3,535
— Disposal of investments in equity instrument at FVOCI	-	(2,452)	-	(2,452)
Balance at June 30, 2018	<u>\$ (6,724)</u>	<u>(80,331)</u>	<u>-</u>	<u>(87,055)</u>

(v) Treasury stock

The changes of treasury stocks were as follows :

(Expressed in thousand of shares)

<u>Reason to buy back</u>	<u>Beginning Shares</u>	<u>Increase shares</u>	<u>Decrease shares</u>	<u>Ending share</u>
January to June, 2019				
Transfer to employees	<u>12,000</u>	<u>5,000</u>	<u>12,000</u>	<u>5,000</u>
January to June, 2018				
Maintain the Company's credit and stockholders' equity	-	4,000	(4,000)	-
Transfer to employees	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
	<u>12,000</u>	<u>4,000</u>	<u>(4,000)</u>	<u>12,000</u>

For the six months ended June 30, 2019 and 2018, the Company's Board of Directors approved to repurchase its stock held on January 8, 2019 and March 2, 2018, respectively, were completed. Resolution passed during the boarding meeting held on March 8, 2019 and May 4, 2018, respectively, to retire 12,000 and 4,000 thousand shares of its treasury stock. The related registration procedures had been finished.

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Ying Dar Corp. and Bae Haw Corp., 100%-owned subsidiaries of the Company, held the Company's common stock. For the three months ended June 30, 2019 and 2018, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose any of the Company's shares. As of June 30, 2019, December 31, 2018 and June 30, 2018, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock, and their market values amounted to \$138,951, \$83,547 and \$81,172, respectively.

(s) Earnings per share

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

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Basic earnings per share				
Profit attributable to owners of parent	\$ <u>81,696</u>	<u>58,345</u>	<u>134,317</u>	<u>42,872</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	<u>148,613</u>	<u>157,033</u>	<u>149,087</u>	<u>160,455</u>
Expressed in New Taiwan dollars	\$ <u>0.55</u>	<u>0.37</u>	<u>0.90</u>	<u>0.27</u>
Diluted earnings per share				
Profit attributable to owners of parent	\$ <u>81,696</u>	<u>58,345</u>	<u>134,317</u>	<u>42,872</u>
Weighted-average number of ordinary shares at end of year (expressed in thousands of shares)	148,613	157,033	149,087	160,455
Effect of potentially dilutive ordinary stock:				
— Employee bonus (expressed in thousands of shares)	<u>331</u>	<u>272</u>	<u>733</u>	<u>410</u>
Weighted-average number of ordinary shares- diluted (expressed in thousands of shares)	<u>148,944</u>	<u>157,305</u>	<u>149,820</u>	<u>160,865</u>
Expressed in New Taiwan dollars	\$ <u>0.55</u>	<u>0.37</u>	<u>0.90</u>	<u>0.27</u>

In computing above basic earnings (loss) per share of ordinary stock for the six months ended June 30, 2019 and 2018, the weighted-average numbers of shares of common stock outstanding excluded 8,794 thousand shares of common stock held by the Company's subsidiaries as treasury stock.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(t) Revenue from Contracts with Customers

(i) Disaggregation of revenue

April to June, 2019				
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 570,153	723	87	570,963
USA	-	226,187	-	226,187
Others	138,197	77,221	22	215,440
Total	<u>\$ 708,350</u>	<u>304,131</u>	<u>109</u>	<u>1,012,590</u>

Major products:

Liquid crystal display modules	\$ 151,308	261,814	-	413,122
Capacitive touch panel and capacitive touch panel module	544,891	39,534	-	584,425
Others	12,151	2,783	109	15,043
Total	<u>\$ 708,350</u>	<u>304,131</u>	<u>109</u>	<u>1,012,590</u>

April to June, 2018				
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 292,718	1,420	122	294,260
USA	-	139,720	-	139,720
Others	117,205	109,026	18	226,249
Total	<u>\$ 409,923</u>	<u>250,166</u>	<u>140</u>	<u>660,229</u>

Major products:

Liquid crystal display modules	\$ 200,878	169,011	-	369,889
Capacitive touch panel and capacitive touch panel module	197,915	80,946	-	278,861
Others	11,130	209	140	11,479
Total	<u>\$ 409,923</u>	<u>250,166</u>	<u>140</u>	<u>660,229</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

January to June, 2019				
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 999,086	2,869	233	1,002,188
USA	-	480,529	-	480,529
Others	266,506	154,285	63	420,854
Total	<u>\$ 1,265,592</u>	<u>637,683</u>	<u>296</u>	<u>1,903,571</u>
Major products:				
Liquid crystal display modules	\$ 473,913	392,213	-	866,126
Capacitive touch panel and capacitive touch panel module	772,474	241,268	-	1,013,742
Others	19,205	4,202	296	23,703
Total	<u>\$ 1,265,592</u>	<u>637,683</u>	<u>296</u>	<u>1,903,571</u>
January to June, 2018				
	Domestic	North America	Other operating department	Total
Primary geographical markets:				
Europe	\$ 572,795	3,564	216	576,575
USA	-	325,936	-	325,936
Others	262,923	199,437	37	462,397
Total	<u>\$ 835,718</u>	<u>528,937</u>	<u>253</u>	<u>1,364,908</u>
Major products:				
Liquid crystal display modules	\$ 502,119	354,444	-	856,563
Capacitive touch panel and capacitive touch panel module	314,724	174,053	-	488,777
Others	18,875	440	253	19,568
Total	<u>\$ 835,718</u>	<u>528,937</u>	<u>253</u>	<u>1,364,908</u>

(ii) Contract balance

	2019.6.30	2018.12.31	2018.6.30
Accounts receivable (including related parties)	\$ 632,914	489,171	454,206
Less: allowance for impairment	(19,208)	(20,327)	(22,589)
Total	<u>\$ 613,706</u>	<u>468,844</u>	<u>431,617</u>
Contract liability—Unearned revenue (recognized in other current liabilities)	<u>\$ 10,504</u>	<u>5,348</u>	<u>5,800</u>

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

The amount of revenue recognized for the three months and six months ended June 30, 2019 and 2018, that was included in the contract liability balance at the beginning of the period were \$16, \$870, \$1,577 and \$6,820 respectively.

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

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

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Employee compensation	\$ 5,233	2,506	8,604	2,506
Directors' and supervisors' remuneration	\$ 3,140	1,504	5,163	1,504

The abovementioned compensation of employees and remuneration of Director's and supervisors' were estimated as the Company's net income before tax, excluding compensation of employees and remuneration of Directors' and supervisors', multiplied by the appropriate percentage in compliance with the Company's article. These expenses were recognized in operating costs and operation expensed for the respective period. In case the variances between actual and estimated expenses occur during next year, the variances concerned will be recognized in next year's profit. If the Company's Board of Directors resolve to issue its stocks as the compensation of employees, it will be calculated as per the closing price of its stock on the day before the Board of Directors.

The accrued compensation of employees amounted to \$6,704 and \$3,476 for 2018 and 2017, respectively, and the accrued remuneration of directors' and supervisor's amounted to \$4,023 and \$2,086 respectively. Actual distribution had no difference with accrued amounts. The previous distribution of compensation to employees, remuneration of directors and supervisors approved by Board of Directors for related information, please go to website:

<http://emops.twse.com.tw>.

(v) Other operating income and expenses

Other operating income and expenses were rental revenue.

(w) Non-operating income and expenses

(i) Other income

Details of other income were as follows :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Interest income				
Bank deposits	\$ 5,265	4,612	9,730	8,851
Other loans and receivables	44	49	95	87
Dividend Revenue	-	690	-	690
Others	137	253	298	408
	<u>\$ 5,446</u>	<u>5,604</u>	<u>10,123</u>	<u>10,036</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(ii) Other gains and losses

Details of other gains and losses were as follows :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Foreign exchange gains, net	\$ 11,650	58,727	17,252	29,372
Net gains on disposal of financial assets at fair value through profit or loss	2,059	5,454	8,948	(1,939)
Net gains on disposal of property, plant and equipment	560	2,854	560	2,854
Others	(139)	-	(282)	-
	<u>\$ 14,130</u>	<u>67,035</u>	<u>26,478</u>	<u>30,287</u>

(i) Finance costs

Details of finance costs were as follows :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Interest expenses				
Bank loans	\$ 2,678	2,885	5,450	6,256
Lease liability	813	-	1,666	-
Management fee of syndicated loan	63	63	125	125
	<u>\$ 3,554</u>	<u>2,948</u>	<u>\$ 7,241</u>	<u>6,381</u>

(x) Financial instruments

There was no significant change of the Group's fair value of financial instruments, exposure to credit risk, liquidity risk and market risk except below statements. Please refer to Note 6(ab) of 2018 consolidated financial statements.

(i) Credit risk

1.Exposure to credit risk

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

2.Concentration of credit risk

The Group has no significant concentration of its accounts receivable as of June 30, 2019, December 31, and June 30, 2018

3.Accounts receivable of credit risk

Please refer to Note 6(d) for accounts receivable and notes receivable of credit risk exposure.

Other financial assets measured at amortized cost including other accounts receivable, refundable deposits and certificate deposit recognized as debt instrument without active market.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

2019.6.30			
	Financial assets measured at amortized cost		
	12-months ECL	Lifetime ECL — unimpaired	Lifetime ECL — impaired
Other accounts receivable	\$ 13,931	-	-
Refundable deposits	7,264	-	-
Restricted Certificate Deposit	1,808	-	-
Loss allowance provision	-	-	-
Amortized cost	\$ 23,003	-	-
Carrying amount	\$ 23,003	-	-

2018.12.31			
	Financial assets measured at amortized cost		
	12-months ECL	Lifetime ECL — unimpaired	Lifetime ECL — impaired
Other accounts receivable	\$ 15,840	-	-
Refundable deposits	7,234	-	-
Restricted Certificate Deposit	2,102	-	-
Loss allowance provision	-	-	-
Amortized cost	\$ 25,176	-	-
Carrying amount	\$ 25,176	-	-

2018.6.30			
	Financial assets measured at amortized cost		
	12-months ECL	Lifetime ECL — impaired	Lifetime ECL — impaired
Other accounts receivable	\$ 19,489	-	-
Refundable deposits	7,666	-	-
Restricted Certificate Deposit	5,090	-	-
Loss allowance provision	-	-	-
Amortized cost	\$ 32,245	-	-
Carrying amount	\$ 32,245	-	-

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

	12-months ECL	Lifetime ECL— unimpaired	Lifetime ECL— impaired
Balance at January 1, 2019	\$ -	-	-
Balance at June 30, 2019	\$ -	-	-
Balance at January 1, 2018	\$ -	-	2,828
Offset uncollected amount	-	-	(2,807)
Effect of changes in foreign currency exchange rates	-	-	(21)
Balance at June 30, 2018	\$ -	-	-

(ii) Liquidity risk

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

	Carrying amount	Contracted cash flows	Due within 6 months	Due in 6-12months	Due in 1-2 years	Due in 2-5 years	Due in over 5 years
June 30, 2019							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 399,221	(408,130)	(3,640)	(3,600)	(400,890)	-	-
Unsecured loans (floating rate)	150,000	(150,194)	(150,194)	-	-	-	-
Accounts payable(non-interest bearing)	451,748	(451,748)	(451,748)	-	-	-	-
Notes payable (non-interest bearing)	1,394	(1,394)	(1,394)	-	-	-	-
Other payable (non-interest bearing)	178,269	(178,269)	(178,269)	-	-	-	-
Lease liability (fixed interest rate)	84,139	(121,725)	(7,330)	(7,358)	(11,115)	(13,107)	(82,815)
Guarantee deposits received (non-interest bearing)	266	(266)	-	-	(266)	-	-
Derivative financial liabilities							
Swap Contract :	574						
Cash in		155,271	155,271	-	-	-	-
Cash out		(155,300)	(155,300)	-	-	-	-
	\$ 1,265,611	(1,311,755)	(792,604)	(10,958)	(412,271)	(13,107)	(82,815)
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(non-interest bearing)	459,356	(459,356)	(459,356)	-	-	-	-
Notes payable (non-interest bearing)	720	(720)	(720)	-	-	-	-
Other payable (non-interest bearing)	91,509	(91,509)	(91,509)	-	-	-	-
Guarantee deposits received (non-interest bearing)	264	(264)	(264)	-	-	-	-
	\$ 1,320,737	(1,334,012)	(925,896)	(3,633)	(404,483)	-	-
June 30, 2018							
Non-derivative financial liabilities							
Secured loans (floating rate)	\$ 398,616	(413,134)	(3,624)	(3,565)	(165,413)	(240,532)	-
Unsecured loans (floating rate)	280,000	(280,491)	(280,491)	-	-	-	-
Accounts payable(non-interest bearing)	309,942	(309,942)	(309,942)	-	-	-	-
Notes payable (non-interest bearing)	1,271	(1,271)	(1,271)	-	-	-	-
Other payable (non-interest bearing)	145,329	(145,329)	(145,329)	-	-	-	-
Guarantee deposits received (non-interest bearing)	262	(262)	-	(228)	(34)	-	-
	\$ 1,135,420	(1,150,429)	(740,657)	(3,793)	(165,447)	(240,532)	-

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(iii) Market Risk

1. Exchange rate risk

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

		2019.6.30			2018.12.31			2018.6.30		
		Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	53,081	31.06	1,648,683	51,690	30.715	1,587,648	46,248	30.46	1,408,699
JPY		25,323	0.2886	7,308	34,512	0.2782	9,601	13,923	0.2754	3,834
CNY		360	4.251	1,626	790	4.472	3,535	2,482	4.593	11,400
EUR		67	35.38	2,381	23	35.2	821	11	35.40	385
<u>Non-monetary items</u>										
USD		1,804	31.06	56,026	3,553	30.715	109,121	3,729	30.46	113,590
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		11,244	31.06	349,244	11,542	30.715	354,523	7,504	30.46	228,565
JPY		26,531	0.2886	7,657	30,140	0.2782	8,385	18,324	0.2754	5,046
EUR		148	35.38	5,253	18	35.2	633	-	-	-
TWD		2,713	1	2,713	5,029	1	5,029	4,698	1	4,698
<u>Non-monetary items</u>										
USD		18	31.06	574	-	-	-	-	-	-

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, accounts payable, and other payables. As of June, 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 \$10,200 and \$10,009, respectively. The analysis assumes that all other variables remain constant.

The Group has variety kinds of functional currencies, hence we use summarized method to disclose exchange gain or loss of monetary items. For the three months and the six months ended June 30, 2019 and 2018, the exchange gains or loss (including realized and unrealized) that resulted from monetary items translated to the functional currency was \$11,650, \$58,727, \$17,252 and \$29,372, respectively.

2. Interest rate analysis

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

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

If interest rates on loans had increased or decreased by 1% with all other variables held constantly. The impact on the Group will be as follows :

January to June, 2019		January to June, 2018	
Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
After-tax profit	After-tax profit	After-tax loss	After-tax loss
\$ 35	35	40	40

The above-mentioned variables attribute to the Group's change of interest rate on loan.

3. Other price risk

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

Equity price at reporting date	January to June, 2019		January to June, 2018	
	Other comprehensive income after tax	Net profit (loss)	Other comprehensive income after tax	Net profit (loss)
Increase 3%	\$ 4,836	1,345	10,491	3,200
Decrease 3%	\$ (4,836)	(1,345)	(10,491)	(3,200)

(iv) Fair value

1. Categories and fair values of financial instruments

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

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

	Carrying Amount	2019.6.30 Fair value			Amount
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Debt instrument with quoted market prices	\$ 56,026	56,026	-	-	56,026
Financial assets at FVOCI					
Equity instrument with quoted market prices	161,189	161,189	-	-	161,189
Equity instrument at fair value without quoted market prices	162,159	-	-	162,159	162,159
Subtotal	323,348				
Financial assets at amortized cost					
Cash and cash equivalent	953,282	-	-	-	-
Account receivables	613,706	-	-	-	-
Other account receivables	13,931	-	-	-	-
Restricted deposit	1,808	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	7,264	-	-	-	-
Subtotal	1,589,991				
Total	\$ 1,969,365				

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2019.6.30				
	Carrying Amount	Fair value			Amount
		Level 1	Level 2	Level 3	
Financial liabilities at FVTPL					
Swap Contract	\$ 574	-	574	-	574
Financial liabilities at amortized cost					
Bank loans	\$ 549,221	-	-	-	-
Notes payable	1,394	-	-	-	-
Account payable	451,748	-	-	-	-
Other payable	178,269	-	-	-	-
Lease liability	84,139	-	-	-	-
Guarantee deposits received	266	-	-	-	-
Subtotal	1,265,037				
Total	\$ 1,265,611				

	2018.12.31				
	Carrying Amount	Fair value			Amount
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Derivative financial assets	\$ 379	-	379	-	379
Debt instrument with quoted market prices	126,080	126,080	-	-	126,080
Subtotal	126,459				
Financial assets at FVOCI					
Equity instrument with quoted market prices	204,764	204,764	-	-	204,764
Equity instrument at fair value without quoted market prices	151,668	-	-	151,668	151,668
Subtotal	356,432				
Financial assets at amortized cost					
Cash and cash equivalent	1,029,113	-	-	-	-
Account receivables	468,844	-	-	-	-
Other account receivables	15,840	-	-	-	-
Restricted deposit	2,102	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	7,234	-	-	-	-
Subtotal	1,523,133				
Total	\$ 2,006,024				
Financial liabilities at amortized cost					
Bank loans	\$ 768,888	-	-	-	-
Notes payable	720	-	-	-	-
Account payable	459,356	-	-	-	-
Other payable	91,509	-	-	-	-
Guarantee deposits received	264	-	-	-	-
Total	\$ 1,320,737				

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	2018.6.30				
	Carrying	Fair value			Amount
	Amount	Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Derivative financial assets	\$ 1,657	-	1,657	-	1,657
Debt instrument with quoted market prices	129,076	129,076	-	-	129,076
Subtotal	130,733				
Financial assets at FVOCI					
Equity instrument with quoted market prices	190,733	190,733	-	-	190,733
Equity instrument at fair value without quoted market prices	158,960	-	-	158,960	158,960
Subtotal	349,693				
Financial assets at amortized cost					
Cash and cash equivalent	966,567	-	-	-	-
Account receivables	431,617	-	-	-	-
Other account receivables	19,489	-	-	-	-
Restricted deposit	5,090	-	-	-	-
Refundable deposits (recognized in other assets - noncurrent)	7,666	-	-	-	-
Subtotal	1,430,429				
Total	\$ 1,910,855				
Financial liabilities at amortized cost					
Bank loans	\$ 678,616	-	-	-	-
Notes payable	1,271	-	-	-	-
Account payable	309,942	-	-	-	-
Other payable	145,329	-	-	-	-
Guarantee deposits received	262	-	-	-	-
Subtotal	1,135,420				
Total	\$ 1,135,420				

2. Valuation techniques and assumptions unused in fair value determination

The methodology and assumptions used by the Group to estimate without using fair-value measures, because of the short maturities of these instruments, the Group estimates that the carrying amount is a reasonable approximation of fair value.

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.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

The fair values of listed securities and open-end funds with standard terms and conditions and traded in active markets held by the Group 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 counterparty. 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 six months ended June 30, 2019 and 2018.

5. Movement of financial assets through other comprehensive income categorized within Level 3.

	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments
Balance at January 1, 2019	\$ 151,668
Prepaid investment	2,700
Recognized in other comprehensive income	7,791
Balance at June 30, 2019	\$ 162,159
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	10,360
Balance at June 30, 2018	\$ 158,960

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 OPTRONICS CORPORATION's quantified information of significant unobservable inputs was as follows :

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI - equity investments without an active market	Discounted Cash Flow Method	- Continuing growth rate (as of June 30, 2019, December 31, 2018 and June 30, 2018 ranged from 2.14%、1.96% and 1.7% respectively) - Weighted average cost of capital (as of June 30, 2019, December 31, 2018 and June 30, 2018 ranged from 11.4%、11.82% and 9.57% respectively) - Market illiquidity discount rate (as of June 30, 2019, December 31, 2018 and June 30, 2018 ranged from 42.85%、38.36% and 42.10% respectively) - Non-controlling interests discount rate (as of June 30, 2019, December 31, 2018 and June 30, 2018 were 29.87%)	- If the continuing growth rate was higher, the estimated fair value would increase. - If WACC, non-controlling interests discount, and illiquidity discount were higher, the estimated fair value would decrease. - If the market illiquidity discount was higher, the estimated fair value would decrease. - If the multiplier and control premium were higher, the estimated fair value would increase.

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
June 30, 2019			
Continuing growth rate 2.14%	0.1%	\$ 1,680	1,610
Weighted average cost of capital 11.4%	0.5%	11,760	10,290
Market illiquidity discount rate 42.85%	1%	2,590	2,590
Non-controlling interests discount rate 29.87%	1%	2,100	2,100
December 31, 2018			
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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Inputs June 30, 2018	Fluctuation in inputs	Changes in fair value reflected in OCI	
		Favorable	Unfavorable
Continuing growth rate 1.7%	0.1%	\$ 9,240	8,190
Weighted average cost of capital 9.57%	0.5%	23,870	18,410
Market illiquidity discount rate 42.10%	1%	2,590	2,590
Non-controlling interests discount rate 29.87%	1%	2,100	2,170

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.

(y) Financial risk management

There was no significant change of the Group's financial risk management objectives and policy as disclosed in 2018 consolidated report. Please refer to Note 6(ac) of 2018 consolidated financial statements.

(z) Capital management

The Group's capital management objectives, policies and procedures were compliance with 2018 consolidated financial statements. Further, there was no significant change of the summary quantitative information as disclosed in 2018 consolidated financial statements. Please refer to Note 6(ad) of 2018 consolidated financial statements.

(aa) Financing activities of non-cash transaction

Reconciliation of liabilities arising from financing activities were as follows :

	2019.1.1	Cash flows	Non-cash changes		2019.6.30
			Foreign exchange movement	Amortized	
Short-term borrowings	\$ 370,000	(220,000)	-	-	150,000
Long-term borrowings	398,888	-	-	333	399,221
Lease liabilities	90,510	(6,394)	23	-	84,139
Guarantee deposits received	264	-	2	-	266
Total liabilities from financing activities	<u>\$ 859,662</u>	<u>(226,394)</u>	<u>25</u>	<u>333</u>	<u>633,626</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

			Non-cash changes		
	2018.1.1	Cash flows	Foreign exchange movement	Amortized	2018.6.30
Short-term borrowings	\$ 557,000	(277,000)	-	-	280,000
Long-term borrowings	398,246	-	-	370	398,616
Total liabilities from financing activities	<u>\$ 955,246</u>	<u>(277,000)</u>	<u>-</u>	<u>370</u>	<u>678,616</u>

(7) Transactions with Related Parties

Compensation of key management personnel

The information on key management personnel compensation was as follows :

	April to June, 2019	April to June, 2018	January to June, 2019	January to June, 2018
Short-term employee benefits	\$ 6,928	6,735	13,793	11,871
Post-employment benefits	128	126	255	251
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 7,056</u>	<u>6,861</u>	<u>14,048</u>	<u>12,122</u>

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

(8) Pledged Assets

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

Pledged Assets	Purpose	2019.6.30	2018.12.31	2018.6.30
Restricted deposit-current	Guarantee for customs	\$ 1,235	1,536	1,527
Restricted deposit-current	Performance guarantee	-	-	3,002
Restricted deposit non-current	Performance guarantee	573	566	561
Property, plant and equipment-buildings	Guarantee for long-term borrowings	227,461	202,076	208,608
		<u>\$ 229,269</u>	<u>204,178</u>	<u>213,698</u>

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(9) Commitments and Contingencies

- (a) As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's unused letters of credit for purchases of raw materials, machinery and equipment amounted to \$5,355, \$4,150 and \$12,733, respectively.
- (b) As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group has signed contracts for the purchase of equipments. The unrecognized contingencies of contracts for the purchase of equipments amounted to \$6,166, \$2,630 and \$6,731, respectively.

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events: None

(12) Other

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

	April to June, 2019			April to June, 2018		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits	114,189	60,307	174,496	120,381	56,655	177,036
Depreciation	17,559	3,184	20,743	14,562	1,091	15,653
Amortization	205	113	318	230	240	470

	January to June, 2019			January to June, 2018		
	Recorded as operating cost	Recorded as operating expenses	Total	Recorded as operating cost	Recorded as operating expenses	Total
Employee benefits	230,588	116,404	346,992	220,294	108,026	328,320
Depreciation	35,614	6,420	42,034	29,495	2,188	31,683
Amortization	348	234	582	413	414	827

- (b) Seasonal operation :

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

(13) Supplementary Disclosure Requirements

- (a) Information on significant transactions :

In accordance with the ROC "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the required disclosures for the six months ended June 30, 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	
					(Note1)	(Note 1)	(Note 1)						Item	Value			
0	The Company	Emerging Display Technologies Corp., U.S.A.	Other receivable-related parties	Yes	45,037 (USD 1,450,000)	45,037 (USD 1,450,000)	21,742 (USD 700,000)	4.79%~ 5.54%	short-term financing	-	Working capital	-	-	-	177,529 (Note 2)	710,116 (Note 2)	(Note 3)

Note1: It used the rate of exchange at June 30, 2019.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Note2: Limit of financing amount for total amount or individual counter-party shall not exceed 40% of the lender's net assets value as of the period, or not exceed 10% 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 June 30, 2019 (subsidiaries, associates and joint ventures not included) :

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	June 30, 2019				Remark
				Units (shares)	Carrying Value	Percentage of ownership	Fair value	
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets at FVOCI—noncurrent	1,470,000	15,509	5.25%	15,509	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI—noncurrent	1,000,000	20,950	2.04%	20,950	-
The Company	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVOCI—noncurrent	13,845	869	-	869	-
The Company	Innolux Corp. stock	-	Financial assets at FVOCI—current	1,147,089	8,408	0.01%	8,408	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Financial assets at FVOCI—current	300,000	13,755	-	13,755	-
The Company	Radiant Opto Electronics Corp. stock	-	Financial assets at FVOCI—current	250,000	26,000	0.05%	26,000	-
The Company	Taiwan Cement Corp., Ltd. stock	-	Financial assets at FVOCI—current	330,000	15,197	0.01%	15,197	-
The Company	Synnex Technology International Co., Ltd. stock	-	Financial assets at FVOCI—current	458,000	17,862	0.03%	17,862	-
The Company	King Yuan Electronics Co., Ltd. stock	-	Financial assets at FVOCI—current	569,000	15,249	0.05%	15,249	-
The Company	Nan Ya Plastics Corporation stock	-	Financial assets at FVOCI—current	210,000	16,506	-	16,506	-
The Company	Pegatron Co., Ltd. stock	-	Financial assets at FVOCI—current	216,000	11,599	0.01%	11,599	-
The Company	Coasia Microelectronics Corp. stock	-	Financial assets at FVOCI—current	441,508	4,000	0.32%	4,000	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI—current	480,000	10,560	0.78%	10,560	-
The Company	Edmond de Rothschild Fund – Europe Convertibles(A)-USD	-	Financial assets at FVTPL—current	8,468.12	24,503	-	24,503	-
The Company	AB FCP I-American Income Portfolio Class A2 USD	-	Financial assets at FVTPL—current	33,863.87	31,523	-	31,523	-
Ying Dar Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI—current	550,000	12,100	0.90%	12,100	-
Ying Dar Investment Development Corp	AGV Products Corporation stock	-	Financial assets at FVOCI—current	101,500	724	0.02%	724	-
Ying Dar Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI—noncurrent	5,346,672	84,477	3.29%	84,477	(Note)
Bae Haw Investment Development Corp	Everest Technology Inc.	-	Financial assets at FVOCI—noncurrent	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp	Shian Yih Electronic Co., Ltd. stock	-	Financial assets at FVOCI—current	380,000	8,360	0.62%	8,360	-
Bae Haw Investment Development Corp	The Company's stock	The Company	Financial assets at FVOCI—noncurrent	3,447,716	54,474	2.12%	54,474	(Note)
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets at FVOCI—noncurrent	6,000,000	125,700	12.23%	125,700	-

Note: 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 share capital: None

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

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

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

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

Purchasing (selling) company	Counter party	Relationship	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	583,803	31.56%	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.	353,965	46.37%	(Note)
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	107,322	9.60%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	(78,393)	15.46%	(Note)
Emerging Display Technologies Corp., U.S.A.	The Company	Subsidiary of the Company	Purchase	583,803	100.00%	3 months	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	The Group is the major supplier for Emerging Display Technologies Corp., U.S.A.	(353,965)	100.00%	(Note)
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	107,322	100.00%	1-3 months	The Group is the only entity the subsidiary provides processing service to.	The Group is the only entity the subsidiary provides processing service to.	78,393	100.00%	(Note)
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary of the Company	Purchase (processing cost)	107,862	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.	(53,795)	63.08%	(Note)
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary of the Company	Sale (processing revenue)	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.	53,795	100.00%	(Note)

Note: It was eliminated in the consolidation.

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

Name of company the has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Amount			
The Company	Emerging Display Technologies Corp., U.S.A.	Subsidiary of the Company	Account receivables of 353,965	3.38	-	-	151,869	-	(Note)
			Other receivable of 21,742	-	-	-	-	-	(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	583,803	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.	30.67%
				Accounts payable	353,965		10.49%
0	The Company	Tremendous Explore Corp.		1 Processing cost	107,322	No non-related-party transaction to compare to.	5.64%
				Accounts payable	78,393		2.32%
0	The Company	Emerging Display Technologies Corp., U.S.A.		1 Selling expenses -Commission	212	No non-related-party transaction to compare to.	0.01%
				Other payable	170		0.01%

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

No.	Name	Counterparty	Relationship (Note)	Details of transaction			
				Subject	Amount	Term of trading	% of total consolidated revenue or total asset
0	The Company	EDT-Europe ApS	1	Selling expenses -Commission Other payable	27,059 3,009	No non-related-party transaction to compare to.	1.42% 0.09%
0	The Company	Emerging Display Technologies Korea	1	Selling expenses -Commission	2,082	No non-related-party transaction to compare to.	0.11%
0	The Company	EDT-Japan Corp.	1	Selling expenses -Commission	6,655	No non-related-party transaction to compare to.	0.35%
0	The Company	Emerging Display Technologies Corp., U.S.A.	1	Interest revenue Other receivable	875 21,742	Adjust by floating interest rate of Bank of America.	0.05% 0.64%
0	The Company	Dong Guan Emerging Display Limited	1	Processing cost Accounts payable	- 19,406	No non-related-party transaction to compare to.	- % 0.57%
1	Tremendous Explore Corp.	Dong Guan Emerging Display Limited	3	Processing cost Purchase material Accounts payable	103,862 44,522 53,795	No non-related-party transaction to compare to.	5.46% 2.34% 1.60%

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 for the six months ended June 30, 2019 was as follows:

(excluding investments in Mainland China) :

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the investee	Investment income (less) recognized	Remarks
				June 30, 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%	74,063 (Note1)	3,682	3,708	Subsidiary (Note 2)
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	93,200	(1,601)	(1,257)	Subsidiary (Note 2)
The Company	EDT-Europe ApS	Denmark	Customer service and business support	2,077	2,077	125,000	100.00%	3,137	1,300	1,300	Subsidiary (Note 2)
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(7,039)	2,369	2,369	Subsidiary (Note 2)
The Company	Emerging Display Technologies Korea	Korea	Business support	1,677	1,677	58,212,500	100.00%	1,246	35	35	Subsidiary (Note 2)
The Company	EDT-Japan Corp.	Japan	Customer service and business support	17,401	17,401	5,000	100.00%	4,568	254	254	Subsidiary (Note 2)
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	21,715	(107)	(107)	Subsidiary (Note 2)
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	33,980	(193)	(193)	Subsidiary (Note 2)
The Company	Ying cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	71,319	(11)	(6)	Subsidiary (Note 2)

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

Name of investor	Name of investee	Location	Business Scope	Original cost of investment		Held at the end of term			Net income (loss) of the investee	Investment income (less) recognized	Remarks
				June 30, 2019	December 31, 2018	Shares owned	Percentage owned	Carrying value			
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	7,006	(1,601)	(94)	Subsidiary (Note 2)
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,548	(1,601)	(183)	Subsidiary (Note 2)

Note 1: It was deducted unrealized profit from sales \$14,467.

Note 2: 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 January 1, 2019	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of June 30, 2019	Net income of investee	The Group's direct or indirect investment ratio	Investment gain (loss) recognized by the Group	Book value of the investment as of June 30, 2019	Accumulated investment income repatriated to Taiwan as of June 30, 2019
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs and Touch panel	248,516 (USD 7,625,300)	investing through a third country by establishing a holding Group in a third country.	219,225 (USD 6,746,936) (Note1)	-	-	219,225 (USD 6,746,936)	(1,844)	95.80% (Note2)	Loss of \$1,766 Based on the investee's financial statements audited by the same auditor as the Group (Note3)	104,429 (Note4)	-

(ii) Limitation on investment in Mainland China :

Accumulated investment amount remitted from Taiwan to Mainland China as of June 30, 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
215,391(Note 8) (US\$6,934,668) (Note 5)	433,341(Note 8) (US\$13,951,732) (Note 6)	1,179,902(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 \$109 which was recognized by Ying Dar Investment Development Corp. and a loss of \$210 which was recognized by Bae Haw Investment Development Corp.

Note 4: The amount includes \$6,431 which was invested by Ying Dar Investment Development Corp. and \$12,438 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 \$61,656 for Ying Dar Investment Development Corp. and \$53,072 for Bae Haw Investment Development Corp.

Note 8: Transactions denominated in foreign currencies were recorded using the rate of exchange at June 30, 2019.

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

(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, was disclosed in “information on significant transactions” for the six months ended June 30, 2019.

(14) Segment Information

Reportable segment information was as follows :

April to June, 2019						
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 708,350	304,131	-	109	-	1,012,590
Sales among consolidated entities	271,636	107	62,444	18,016	(352,203)	-
Total revenue	\$ 979,986	304,238	62,444	18,125	(352,203)	1,012,590
Segment Income	\$ 93,460	2,112	1,127	1,162	(1,134)	96,727

April to June, 2018						
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 408,656	251,370	-	203	-	660,229
Sales among consolidated entities	240,776	148	75,043	16,520	(332,487)	-
Total revenue	\$ 649,432	251,518	75,043	16,723	(332,487)	660,229
Segment Income	\$ 75,197	(2,094)	233	1,955	(2,052)	73,239

January to June, 2019						
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Revenue:						
Sales to customers other than consolidated entities	\$ 1,265,592	637,683	-	296	-	1,903,571
Sales among consolidated entities	583,803	212	107,322	35,796	(727,133)	-
Total revenue	\$ 1,849,395	637,895	107,322	36,092	(727,133)	1,903,571
Segment Income	\$ 157,097	4,622	635	1,617	(4,754)	159,217

EMERGING DISPLAY TECHNOLOGIES CORP. AND SUBSIDIARIES

Notes to consolidated financial statements

	January to June, 2018					Total
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	
Revenue:						
Sales to customers other than consolidated entities	\$ 834,451	530,141	-	316	-	1,364,908
Sales among consolidated entities	485,792	329	127,263	34,677	(648,061)	-
Total revenue	\$ 1,320,243	530,470	127,263	34,993	(648,061)	1,364,908
Segment Income	\$ 49,093	(1,556)	(6,096)	2,827	2,492	46,760
	Domestic	North America	Mainland China	Other operating Department	Adjustments and Eliminations	Total
Segment Assets						
June 30, 2019	\$ 3,200,693	478,549	164,349	22,617	(490,376)	3,375,832
December 31, 2018	\$ 3,233,548	474,457	141,486	17,567	(472,990)	3,394,068
June 30, 2018	\$ 2,996,579	425,940	152,710	18,489	(418,744)	3,174,974
Segment Liabilities						
June 30, 2019	\$ 1,540,872	390,240	64,286	13,665	(478,035)	1,531,028
December 31, 2018	\$ 1,605,404	390,779	73,217	10,647	(495,138)	1,584,909
June 30, 2018	\$ 1,351,247	348,024	86,253	10,084	(443,983)	1,351,625

The following is the explanation of material reconciliation item :

- (a) For the three and six months ended June 30, 2019 and 2018, the operating segments revenue eliminated from the consolidated entities were \$352,203, \$332,487, \$727,133 and \$648,061, respectively.
- (b) For the three months and six months ended June 30, 2019 and 2018, the operating segments profit and loss eliminated from the consolidated entities were profit \$1,134, profit \$2,052, profit \$4,754 and loss \$2,492, respectively.
- (c) As of June 30, 2019, December 31, 2018 and June 30, 2018, the operating segments assets eliminated from the consolidated entities were \$490,376, \$472,990 and \$418,744, respectively.
- (d) As of June 30, 2019, December 31, 2018 and June 30, 2018, the operating segments liabilities eliminated from the consolidated entities were \$478,035, \$495,138 and \$443,983, respectively.