

(English Translation of Financial Report Originally Issued in Chinese)

WINTEK CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements
September 30, 2014(Restated) and 2013(Restated)
(With Independent Auditors' Review Report Thereon)



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Independent Auditors' Review Report

The joint committee of the reorganizers and reorganization supervisors
Wintek Corporation and subsidiaries:

Introduction

We have reviewed the accompanying consolidated balance sheets of Wintek Corporation (the Corporation) and its subsidiaries (the Group) as of September 30, 2014 (restated), and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2014 (restated), and notes to the restated 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 and issued into effect 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(c), the reorganized consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$34,962,078 thousand, constituting 55.48% of consolidated total assets as of September 30, 2014, total liabilities amounting to \$29,637,949 thousand, constituting 55.40% of consolidated total liabilities as of September 30, 2014, and total comprehensive income (loss) amounting to \$(10,249,371) thousand, constituting 54.69% of consolidated total comprehensive income (loss) for the nine months ended September 30, 2014.



Material Uncertainty Related to Going Concern

As of September 30, 2014, the Group's accumulated deficit was \$18,670,714 thousand, and the current assets were more than the current liabilities by \$20,672,560 thousand. The Corporation has issues on liquidity risk. As stated in Note 12(b), the reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. Taiwan Taichung District Court approved the reorganization plan on December 11, 2018. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Qualified Conclusion

Except for 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 auditors, based on our reviews, 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 Wintek Corporation and its subsidiaries as of September 30, 2014, and of its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2014 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter- the conclusion of the consolidated financial statements as of September 30, 2014 is different from the original one

Due to the major uncertainty of: (a) the application of the reorganizational plan to be approved by the court (a) the reorganization plan that needs to be approved at the meeting of interest parties (c) the reorganization plan that can be executed effectively, which may not have the ability to continue as a going concern, other auditors expressed the denying reviewed report. As stated in Note 12(b), the reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. Taiwan Taichung District Court approved the reorganization plan on December 11, 2018. As a result, the reviewed report that we expressed in the consolidated financial statements as of September 30, 2014 is renewed and is different from the report as of September, 2013.

Other Matter-mention the review of other auditors

The consolidated financial statements of the Group as of September 30, 2013 were reviewed by other auditors. It were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors because it did not include important subsidiaries. The report dated October 29, 2013 expressed a modified unqualified auditors' report.



Emphasis of Matter

We draw attention to Note 4 of the consolidated financial statements, the Group amended its accounting policy for investment properties effective on April 1, 2014, and subsequently measured the investment properties using the fair value model. As a result of the retrospective application concerning the amendments in the accounting policy, the consolidated financial statements as of 2013 have been restated. The consolidated balance sheets as of December 31, 2013, and January 1, 2013, which were audited by other auditors, have also been restated. Our opinion is not modified in respect of this matter.

KPMG
CPA: Mei, Yuan-Chen
Kuo, Shyhhuar

Taipei, Taiwan, R.O.C
June 26, 2019

The accompanying financial statements are not intended only to present the financial position, results of operations 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 review such financial statements are those generally accepted and applied in the Republic of China.

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

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position

September 30, 2014, December 31, 2013 and January 1, 2013
(Expressed in thousands of New Taiwan dollars)

Assets	September 30, 2014		December 31, 2013		September 30, 2013		January 1, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Current assets:								
Cash and cash equivalents (Notes 6(a))	\$ 3,696,640	6	7,068,795	9	4,962,718	6	5,941,016	7
Financial assets at fair value through profit or loss (Note 6(b))	141,331	-	134,952	-	42,071	-	471	-
Available-for-sale financial assets - current (Note 6(b))	357,256	1	553,836	1	337,754	-	310,663	-
Notes receivable (Notes 6(c))	5,423	-	10,868	-	1,907	-	3,152	-
Accounts receivables (Notes 6(e))	9,731,461	15	11,629,191	14	8,389,668	10	13,405,267	15
Other receivables (Notes 6(c))	103,061	-	987,511	1	808,639	1	480,558	-
Inventories (Notes 6(d))	7,354,320	12	9,260,172	11	11,163,338	14	11,429,764	13
Other financial assets (Notes 6(b))	92,979	-	312,375	-	225,858	-	148,081	-
Other current assets	1,844,503	3	2,052,478	3	3,173,444	4	3,508,977	4
	<u>23,326,974</u>	<u>37</u>	<u>32,010,178</u>	<u>39</u>	<u>29,105,397</u>	<u>35</u>	<u>35,227,949</u>	<u>39</u>
Non-current assets:								
Financial assets carried at cost - non-current (Note 6(b))	58,271	-	148,895	-	178,465	-	177,935	-
Property, plant and equipment (Notes 6(f))	37,308,962	59	46,039,575	57	49,282,784	60	50,423,824	56
Investment properties, net (Notes 6(g))	230,282	1	222,109	-	216,789	-	209,523	-
Computer software	53,910	-	52,684	-	57,763	-	49,967	-
Goodwill	-	-	36,866	-	36,575	-	35,920	-
Deferred tax assets (Notes 6(f))	2,067	-	1,279,634	2	1,216,197	2	1,206,044	1
Prepayments for equipment	699,928	1	1,006,942	1	1,322,710	2	2,371,962	3
Refundable deposits	83,719	-	75,243	-	71,305	-	81,187	-
Other financial assets - non-current (Notes 6(b))	6,084	-	149,025	-	-	-	-	-
Long-term prepayments for lease	1,155,047	2	1,159,431	1	1,149,766	1	1,129,602	1
Other non-current assets (Note 6(i))	86,605	-	51,654	-	58,984	-	27,350	-
	<u>39,684,875</u>	<u>63</u>	<u>50,224,058</u>	<u>61</u>	<u>53,591,338</u>	<u>65</u>	<u>55,713,314</u>	<u>61</u>
Total assets	\$ 63,011,849	100	\$ 82,232,236	100	\$ 82,696,735	100	\$ 90,941,263	100
Liabilities and Stockholders' Equity								
Current liabilities:								
Short-term borrowings (Notes 6(i))								
Short-term bills payable (Notes 6(i))								
Financial liabilities at fair value through profit or loss (Notes 6(b))	21,185	-	12,732	-	91,109	-	37,792	-
Notes payable	322,212	1	205,814	-	12,924	-	14,300	-
Accounts payables (related)	14,718,220	23	11,705,765	14	7,280,033	9	10,634,965	12
Other payables	6,033,437	10	5,612,541	7	5,010,173	6	5,682,751	6
Current tax liabilities	269,227	-	61,218	-	-	-	163,181	-
Provisions - current	8,190	-	17,188	-	21,365	-	34,547	-
Current portion of long-term borrowings (Notes 6(h))	4,369,698	7	9,226,179	11	8,847,840	11	2,463,047	3
Other current liabilities	514,313	1	352,455	1	299,876	-	290,651	1
	<u>43,999,534</u>	<u>70</u>	<u>48,851,698</u>	<u>59</u>	<u>44,416,454</u>	<u>54</u>	<u>39,341,955</u>	<u>44</u>
Long-term borrowings (Notes 6(h))	9,491,839	15	7,011,871	9	8,084,934	10	16,558,851	18
Deferred tax liabilities (Note 6(i))	-	-	17,388	-	13,717	-	19,954	-
Other non-current liabilities	11,093	-	12,883	-	11,668	-	4,970	-
	<u>9,502,932</u>	<u>15</u>	<u>7,042,142</u>	<u>9</u>	<u>8,110,319</u>	<u>10</u>	<u>16,583,775</u>	<u>18</u>
Total liabilities	53,502,466	85	55,893,840	68	52,526,773	64	55,925,730	62
Stockholders' equity attributable to parent (note 6(m)):								
Common stock	20,477,784	33	18,477,784	22	18,477,784	22	18,477,784	20
Capital surplus	6,807,616	11	15,604,397	19	15,604,397	19	18,482,836	20
Accumulated deficits	(18,670,714)	(30)	(8,555,901)	(10)	(4,132,076)	(5)	(1,181,022)	(1)
Other stockholders' equity	758,193	1	638,902	1	60,852	-	(903,028)	(1)
Total equity attributable to owners of the parent	9,372,879	15	26,185,182	32	30,010,957	36	34,876,570	38
Non-controlling interests	136,504	-	153,214	-	159,005	-	138,963	-
Total stockholders' equity	9,509,383	15	26,338,396	32	30,169,962	36	35,015,533	38
Total liabilities and stockholders' equity	\$ 63,011,849	100	\$ 82,232,236	100	\$ 82,696,735	100	\$ 90,941,263	100

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Nine Months ended September 30, 2014 and 2013

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

	For the Three Months ended September 30				For the Nine Months ended September 30			
	2014 (Restated)		2013 (Restated)		2014 (Restated)		2013 (Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales revenue	\$ 17,463,629	100	17,046,045	100	54,576,139	100	53,133,043	100
Cost of goods sold	<u>23,274,220</u>	<u>133</u>	<u>18,477,098</u>	<u>109</u>	<u>61,260,674</u>	<u>112</u>	<u>56,007,567</u>	<u>109</u>
Gross Loss	<u>(5,810,591)</u>	<u>(33)</u>	<u>(1,431,053)</u>	<u>(9)</u>	<u>(6,684,535)</u>	<u>(12)</u>	<u>(2,874,524)</u>	<u>(9)</u>
Operating expenses:								
Selling	170,814	1	144,002	1	464,171	1	434,845	1
Administrative	520,839	3	425,233	2	1,384,595	2	1,381,756	2
Research and development	<u>393,123</u>	<u>2</u>	<u>324,357</u>	<u>2</u>	<u>1,102,389</u>	<u>2</u>	<u>1,082,932</u>	<u>2</u>
	<u>1,084,776</u>	<u>6</u>	<u>893,592</u>	<u>5</u>	<u>2,951,155</u>	<u>5</u>	<u>2,899,533</u>	<u>5</u>
Operating Loss	<u>(6,895,367)</u>	<u>(39)</u>	<u>(2,324,645)</u>	<u>(14)</u>	<u>(9,635,690)</u>	<u>(17)</u>	<u>(5,774,057)</u>	<u>(14)</u>
Non-operating income and expenses:								
Interest income	13,335	-	7,328	-	42,855	-	25,081	-
Divided revenue	181	-	55	-	20,156	-	21,738	-
Other income(Note 6 (o))	7,008	-	56,907	-	62,246	-	167,289	-
Gains on disposal of property, plant and equipment	(15,768)	-	-	-	(5,508)	-	(3,661)	-
Gains on disposal of investments	15,218	-	29	1	190,416	-	(3,242)	1
Foreign exchange (Loss) gains	(166,412)	(1)	236,820	2	(260,281)	-	426,960	2
Gains on financial assets (liabilities) measured at fair value through profit (loss)	207,877	1	(89,794)	1	255,203	1	141,583	1
Finance expense	(280,917)	(2)	(294,952)	-	(878,352)	(2)	(796,001)	-
Miscellaneous disbursements	(48,276)	-	(388)	(2)	(54,355)	-	(452)	(2)
Impairment of financial asset (Note 12)	(21,585)	-	-	-	(21,585)	-	-	-
Impairment of other asset (Note 12)	<u>(7,010,424)</u>	<u>(40)</u>	<u>-</u>	<u>-</u>	<u>(7,010,630)</u>	<u>(13)</u>	<u>-</u>	<u>-</u>
	<u>(7,299,763)</u>	<u>(42)</u>	<u>(83,995)</u>	<u>(2)</u>	<u>(7,659,835)</u>	<u>(14)</u>	<u>(20,705)</u>	<u>(2)</u>
Income before income tax	(14,195,130)	(81)	(2,408,640)	(10)	(17,295,525)	(31)	(5,794,762)	(10)
Income tax expense (Note 6(1))	<u>1,457,819</u>	<u>9</u>	<u>(28,720)</u>	<u>-</u>	<u>1,543,092</u>	<u>3</u>	<u>14,458</u>	<u>-</u>
Consolidated net income	<u>(15,652,949)</u>	<u>(90)</u>	<u>(2,379,920)</u>	<u>(10)</u>	<u>(18,838,617)</u>	<u>(34)</u>	<u>(5,809,220)</u>	<u>(10)</u>
Other comprehensive income:								
Exchange differences on translation of foreign operations	355,190	2	(319,675)	3	263,605	-	966,564	3
Unrealized gain (loss) on available-for-sale financial assets	<u>(42,296)</u>	<u>-</u>	<u>(764)</u>	<u>-</u>	<u>(164,144)</u>	<u>-</u>	<u>(2,915)</u>	<u>-</u>
Other comprehensive income, net of tax	<u>312,894</u>	<u>2</u>	<u>(320,439)</u>	<u>3</u>	<u>99,461</u>	<u>-</u>	<u>963,649</u>	<u>3</u>
Comprehensive income	<u>\$ (15,340,055)</u>	<u>(88)</u>	<u>(2,379,920)</u>	<u>(7)</u>	<u>(18,739,156)</u>	<u>(34)</u>	<u>(4,845,571)</u>	<u>(7)</u>
Net income attributable to:								
Owners of the parent	\$ (15,611,788)	(90)	(2,393,944)	(10)	(18,821,737)	(34)	(5,829,493)	(10)
Non-controlling interests	<u>(41,161)</u>	<u>-</u>	<u>14,024</u>	<u>-</u>	<u>(16,880)</u>	<u>-</u>	<u>20,273</u>	<u>-</u>
	<u>\$ (15,652,949)</u>	<u>(90)</u>	<u>(1,491,176)</u>	<u>(10)</u>	<u>(18,838,617)</u>	<u>(34)</u>	<u>(5,809,220)</u>	<u>(10)</u>
Comprehensive income attributable to:								
Owners of the parent	\$ (15,298,851)	(88)	(2,714,423)	(7)	(18,722,446)	(34)	(4,865,613)	(7)
Non-controlling interests	<u>(41,204)</u>	<u>-</u>	<u>14,064</u>	<u>-</u>	<u>(16,710)</u>	<u>-</u>	<u>20,042</u>	<u>-</u>
	<u>\$ (15,340,055)</u>	<u>(88)</u>	<u>(2,700,359)</u>	<u>(7)</u>	<u>(18,739,156)</u>	<u>(34)</u>	<u>(4,845,571)</u>	<u>(7)</u>
Basic earnings per common share (Note 6(n))	\$	(7.62)	\$	(1.30)	\$	(9.71)	\$	(3.16)
Diluted earnings per common share (Note 6(n))	\$	(7.62)	\$	(1.30)	\$	(9.71)	\$	(3.16)

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Nine Months ended September 30, 2014 and 2013
(Expressed in thousands of New Taiwan dollars)

	Stockholders' equity attributable to Owners of the parent							Total equity attributable to Owners of the parent	Non-controlling interests	Total stockholders' equity
	Common stock	Capital surplus	Accumulated deficit	Foreign currency translation difference	Unrealized gains (losses) on available-for-sale financial assets	Other stockholders' equity	Total equity attributable to Owners of the parent			
Balance as of January 1, 2013	\$ 18,477,784	18,482,836	(1,323,142)	(1,039,918)	136,890		34,734,450	138,963	34,873,413	
Effects of retrospective application and retrospective restatement	-	-	142,120	-	-	-	142,120	-	142,120	
Equity at beginning of period after adjustments	18,477,784	18,482,836	(1,181,022)	(1,039,918)	136,890		34,876,570	138,963	35,015,533	
Net income	-	-	(5,829,493)	-	-	-	(5,829,493)	20,273	(5,809,220)	
Other comprehensive income	-	-	-	966,564	(2,684)	-	963,880	(231)	963,649	
Total comprehensive income	-	-	(5,829,493)	966,564	(2,684)	-	(4,865,613)	20,042	(4,845,571)	
Capital surplus used to offset accumulated deficits	-	(2,878,439)	2,878,439	-	-	-	-	-	-	
Balance as of September 30, 2013	<u>\$ 18,477,784</u>	<u>15,604,397</u>	<u>(4,132,076)</u>	<u>(73,354)</u>	<u>134,206</u>		<u>30,010,957</u>	<u>159,005</u>	<u>30,169,962</u>	
Balance as of January 1, 2014	\$ 18,477,784	15,604,397	(8,706,924)	284,694	370,440		26,030,391	153,214	26,183,605	
Effects of retrospective application and retrospective restatement	-	-	151,023	3,768	-	-	154,791	-	154,791	
Equity at beginning of period after adjustments	18,477,784	15,604,397	(8,555,901)	288,462	370,440		26,185,182	153,214	26,338,396	
Net income	-	-	(18,821,737)	-	-	-	(18,821,737)	(16,880)	(18,838,617)	
Other comprehensive income	-	-	-	263,605	(164,314)	-	99,291	170	99,461	
Total comprehensive income	-	-	(18,821,737)	263,605	(164,314)	-	(18,722,446)	(16,710)	(18,739,156)	
Capital surplus used to offset accumulated deficits	-	(8,706,924)	8,706,924	-	-	-	-	-	-	
Issue of capital stock for GDRs	2,000,000	(89,857)	-	-	-	-	1,910,143	-	1,910,143	
Balance as of September 30, 2014	<u>\$ 20,477,784</u>	<u>6,807,616</u>	<u>(18,670,714)</u>	<u>552,067</u>	<u>206,126</u>		<u>9,372,879</u>	<u>(136,504)</u>	<u>9,509,383</u>	

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Nine Months ended September 30, 2014 and 2013
(Expressed in thousands of New Taiwan dollars)

	For Nine Months ended September 30	
	2014	2013
	(Restated)	(Restated)
Cash flows from operating activities:		
Income before income tax	\$ (17,295,525)	(5,794,762)
Adjustments:		
Adjustments for the non-cash effects of items of incomes and expenses:		
Depreciation expense	3,759,375	6,352,148
Amortization expense	22,950	18,026
Bad debt expense	249	367
Net gain on financial assets or liabilities at fair value through loss (profit)	(255,203)	(141,583)
Interest expense	878,352	796,001
Interest income	(42,855)	(25,081)
Divided revenue	(20,156)	(21,738)
Loss (gain) on disposal of property, plant and equipment	5,508	3,661
Loss (gain) on disposal of computer software	-	(15)
Gains on disposal of investments	(190,416)	3,242
Impairment loss on financial assets	21,585	-
Impairment loss on other assets	7,010,630	-
Foreign exchange loss (gain)	355,823	(372,994)
Loss (gain) on fair value adjustment-Investment properties	(3,539)	(3,484)
Amortization of long term prepayments for lease	18,925	18,523
Write-down of inventories	4,247,328	633,432
Total adjustments for the non-cash effects of items of incomes and expenses	<u>15,808,556</u>	<u>7,260,505</u>
Net change in operating assets and liabilities:		
Net change in operating assets:		
Decrease in Financial instruments held for trading	257,443	153,549
Decrease in notes receivable	5,445	1,245
Decrease in account receivable	2,015,121	4,936,444
Decrease (increase) in other receivable	903,122	(328,794)
Increase in inventories	(2,232,817)	(284,616)
Decrease in other current assets	239,314	398,542
Total net change in operating assets	<u>1,187,628</u>	<u>4,876,370</u>
Net change in operating liabilities:		
Increase (decrease) in notes payable	111,438	(1,379)
Increase (decrease) in accounts payable	2,838,671	(3,325,361)
Increase (decrease) in other payable	591,594	(664,722)
Increase in other current liabilities	158,863	226
Decrease in provisions	(8,998)	(13,182)
Total net change in operating liabilities	<u>3,691,568</u>	<u>(4,004,418)</u>
Total net change in operating assets and liabilities	<u>4,879,196</u>	<u>871,952</u>
Total adjustments	<u>20,687,752</u>	<u>8,132,457</u>
Cash inflows from operating activities	3,392,227	2,337,695
Interest received	39,990	25,038
Interest paid	(901,391)	(756,714)
Income taxes paid	(71,004)	(200,525)
Net cash provided by operating activities	<u>2,459,822</u>	<u>1,405,494</u>
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(25,868)	(59,933)
Proceeds on sale of available-for-sale financial assets	284,505	26,684
Decrease (increase) in other financial assets	365,296	(75,639)
Proceeds of the return of capital on financial assets measured at cost	39,436	-
Increase in prepayments for investment	(36,127)	-
Acquisition of property, plant and equipment	(1,458,450)	(1,692,369)
Proceeds of the disposal of property, plant and equipment	94,584	202,907
Decrease in refundable deposits	(8,113)	10,237
Acquisition of intangible assets	(23,969)	(25,912)
Proceeds of the disposal of computer software	-	506
Increase (decrease) in other non-current assets	863	(3,881)
Increase in prepayments for equipment	(291,446)	(1,409,594)
Other dividend received	9,621	21,738
Net cash used in investing activities	<u>(1,049,668)</u>	<u>(3,005,256)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(4,233,660)	2,743,327
Repayment of short-term bills payable	(39,999)	(159,813)
Proceeds of long-term borrowings	488,841	1,450,850
Repayment of long-term borrowings	(3,110,197)	(3,716,959)
Proceeds from (refund of) guarantee deposits received	(2,025)	6,650
Issuance of capital stock for GDRs	1,910,143	-
Net cash used in financing activities	<u>(4,986,897)</u>	<u>324,055</u>
Effect of exchange rate changes	204,588	297,409
Net decrease in cash and cash equivalents	(3,372,155)	(978,298)
Cash and cash equivalents, beginning of period	7,068,795	5,941,016
Cash and cash equivalents, end of period	<u>\$ 3,696,640</u>	<u>4,962,718</u>

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014(Restated) and 2013(Restated)

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

1. Organization and Principal Activities

Wintek Corporation (the "Corporation") was incorporated on April 26, 1990. It manufactures and sells liquid crystal displays (LCDs), liquid crystal modules (LCMs) and touch panels.

The Corporation's shares listed on the Taiwan Stock Exchange (TSE) on December 19, 1998, and have terminated listed for trading since July 7, 2015.

The consolidated financial statements comprise the Company and its subsidiaries (the Group), and the equity of the associates which are controlled by the Group.

Since the touch panel industry has undergone difficult changes, resulting in the Corporation's losses in the past three years. Under the stringent conditions, as well as the overexpansion of the touch panel industry, the Corporation failed to optimize its capital expenditure, which resulted in an overproduction of its merchandise. Therefore, its credit status from the bank was greatly affected to the extent that it has weakened its ability to repay its long-term and short-term loans and their respective interests, as well as its accounts payable. To remedy its situation, the Corporation applied to the Taiwan Taichung District Court for reorganization and emergency preservation of its property on October 13, 2014. The Taiwan Taichung District Court rendered a ruling to approve for reorganization, with the case number-2014, Serial No. 2, on April 27, 2015. At the time of the ruling, the court selected and appointed the reorganizers and the reorganization supervisors of the Corporation to take charge of the operation of the business. They were also given the authority by the court to control and dispose of any property belonging to the Corporation. According to the Company Act of the ROC, the Board of Directors will no longer have the right to make any decision for the Corporation. In addition, according to the paragraph 296 of the Company Act of R.O.C. "All rights of creditors of the company established prior to the ruling for reorganization shall be the rights of creditors in reorganization, which shall not be exercised unless in accordance with reorganization procedures". However, on June 12, 2015, Taiwan Taichung District Court reversed the ruling which granted Wintek's motion for reorganization, with the case number-2015, Serial No. 1. As a result of that, Wintek filed for an interlocutory appeal against the above-said ruling on July 2, 2015, which has caused the Taiwan High Court, Taichung Branch, to have reversed the ruling Serial No.1 with the case number-2015, Serial No. 399, and the decision was that such case will be reviewed by Taiwan Taichung District Court, which means, the status of the granted reorganization is temperately maintained.

The reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. The Corporation proposed the petition of the reorganization plan to Taiwan Taichung District Court on July 13, 2018. The Court recognized and confirmed the reorganization plan on October 15, 2018, and approved it on December 11, 2018.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial reports were approved by the joint meeting of reorganizers and the reorganization supervisors on June 26, 2019.

3. New Accounting Standards and Interpretations Adopted

(a) International Financial Reporting Standards 2013 version endorsed by the Financial Supervisory Commissions Republic of China, but not yet in effect.

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendment are listed below:

New standards and amendments	Effective date per IASB
•Amended IFRS 1 " <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> "	July 1, 2010
•Amended IFRS 1 " <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> "	July 1, 2011
•Amended IFRS 1 " <i>Government Loans</i> "	January 1, 2013
•Amended IFRS 7 " <i>Disclosure – Transfers of Financial Assets</i> "	July 1, 2011
•Amended IFRS 7 " <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i> "	January 1, 2013
•IFRS 10 <i>Consolidated Financial Statements</i>	January 1, 2013 (Investment Entities amendments, effective January 1, 2014)
•IFRS 11 <i>Joint Arrangements</i>	January 1, 2013
•IFRS 12 <i>Disclosure of Interests in Other Entities</i>	January 1, 2013
•IFRS 13 <i>Fair Value Measurement</i>	January 1, 2013
•Amended IAS 1 " <i>Presentation of Items of Other Comprehensive Income</i> "	July 1, 2012
•Amended IAS 12 " <i>Deferred Tax: Recovery of Underlying Assets</i> "	January 1, 2012
•Amended IAS 19 " <i>Employee Benefits</i> "	January 1, 2013
•Amended IAS 27 " <i>Separate Financial Statements</i> "	January 1, 2013
•Amended IAS 32 " <i>Offsetting Financial Assets and Financial Liabilities</i> "	January 1, 2014
•IFRIC 20 – <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013

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WINTEK CORPORATION

Notes to Financial Statements

Based on the Company's assessment, the adoption of IFRS 2013 version has no significant effect on the interim financial statement except for the following items:

i) IAS 1 Presentation of Financial Statements

The other comprehensive income section is required to present line items which are classified by their nature, and are grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to two groups of items of other comprehensive is also required. The Group is expecting to change the presentation of comprehensive income statements in accordance with the standard.

ii) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires a broader disclosure of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated entities. The objective of IFRS 12 is to specify the disclosure information provided. The Group expects the application of IFRS 12 will result in more extensive disclosures of interests in other entities in its financial statements.

iii) IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurement. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group assessed that the adoption of IFRS 13 will have no significant impact on its financial position and results of operation. The Group will include the required disclosures.

(b) International Financial Reporting Standards issued by the International Accounting Standards Board but not yet endorsed by the FSC

A summary of the new standards and amendments issued by the International Financial Reporting Standards (hereinafter referred to as IASB) but not yet included in the IFRS 2013 version endorsed by the FSC:

New standards and amendments	Effective date per IASB
·IFRS 9 " <i>Financial Instruments</i> "	January 1, 2018
·Amended IFRS 10 and IAS 28 " <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> "	January 1, 2016
·Amended IFRS 10, IFRS 12 and IFRS 28 " <i>The application of the investment entities exceptions</i> "	January 1, 2016
·Amended IFRS 11 " <i>Accounting for acquisition of interests in joint operations</i> "	January 1, 2016

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

New standards and amendments	Effective date per IASB
•IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
•IFRS 15 “Revenue from contracts with customers”	January 1, 2018
•Amended IAS 1 “Disclosure-Initiative”	January 1, 2016
•Amended IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortization”	January 1, 2016
•Amended IAS 16 and IAS 41 “Agriculture: bearer plants”	January 1, 2016
•Amended IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
•Amended IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
•Amended IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
•Amended IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
•Amended IFRIC 21 “Levies”	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on its financial position and results of operations. The related impact will be disclosed following the completion of its assessments.

4. Significant Accounting Policies

(a) Statement of Compliance

The accompanying interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and guidelines of IAS 34 “Interim Financial Reporting,” endorsed by FSC. Such consolidated interim financial statements, however, do not include all of the information required for full annual financial statements by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as “IFRS as endorsed by the FSC”).

Except as described in the following paragraphs, the significant accounting policies in the preparation of the accompanying interim consolidated financial statements are applied consistently to the consolidated financial statement for the year ended December 31, 2013. For other related information, please refer to the consolidated financial statements for the year ended December 31, 2013.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

(b) Basis of consolidation

i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	September 30, 2014	Shareholding December 31, 2013	September 30, 2013	Note
Wintek Corporation	Wintek Technology (Cayman) Corporation ("Wintek Technology Cayman")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
Wintek Corporation	Masstop LLC	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
Wintek Corporation	Wintek (B.V.I.) Corporation ("Wintek BVI")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
Wintek Corporation	Wintek International Holding (Cayman) Corporation ("Wintek International Holding")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
Wintek Corporation	United Win Investment Corporation ("United Win Investment")	Investment	100.00%	100.00%	100.00%	(1)
Wintek Corporation	Wintek Electro-Optics Corporation ("Wintek Electro-Optics")	Sells LCD/LCM products	100.00%	100.00%	100.00%	(1)
Wintek Corporation	Wintek (Central Europe) GmbH ("Wintek Central Europe")	Sells LCD/LCM products	100.00%	100.00%	100.00%	(1)
Wintek Corporation	Mactech Corporation ("Mactech")	Manufactures machinery and equipment	49.30%	100.00%	49.30%	(1)
Wintek Corporation	WinPower Optronics Corporation ("WinPower")	Designs ICs	30.83%	30.83%	30.83%	(1)
Wintek Corporation	Telestar Technology Corporation ("Telestar")	Designs ICs	100.00%	-	-	(1)
United Win Investment	Mactech	Manufactures machinery and equipment	-	-	-	(1)
Wintek Technology Cayman	United Win Technology (Cayman) Corporation ("United Win Cayman")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
United Win Cayman	United Win (H.K.) Technology Limited ("United Win HK")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
United Win Cayman	Wintek Technology (H.K.) Limited ("Wintek Technology HK")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
United Win HK	United Win (China) Technology Limited ("United Win China")	Manufactures and sells electronic components, accessories and related products	100.00%	100.00%	100.00%	(1)
Wintek Technology HK	Wintek (China) Technology Ltd. ("Wintek China")	Manufactures and sells electronic components, accessories and related products	83.04%	83.04%	100.00%	(1)
Wintek BVI	Wintek International (Samoa) Corporation ("Wintek Samoa")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(1)
Wintek Samoa	Wintek Vietnam Co., Ltd. ("Wintek Vietnam")	Manufactures and processes LCD/LCM and touch panel products	100.00%	100.00%	100.00%	(1)
Masstop LLC	Masstop Asia Pacific Ltd. ("Masstop")	Overseas reinvested holding company and seller of LCD/LCM products	100.00%	100.00%	100.00%	(1)

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

Name of investor	Name of subsidiary	Principal activity	September 30, 2014	Shareholding December 31, 2013	September 30, 2013	Note
Masstop	Dongguan Masstop Liquid Crystal Display Co., Ltd. ("Dongguan Masstop")	Manufactures and sells LCM and touch panel products	100.00%	100.00%	100.00%	(1)
Dongguan Masstop	DongGuan Sheng Feng Import and Export Trading Co., Ltd. ("DongGuan Innolife")	Import and export trading	100.00%	100.00%	100.00%	(1)
Dongguan Masstop	DongGuan Innolife Electronic Technology Co., Ltd. ("Innolife")	Manufactures and sells owned-brand products	100.00%	100.00%	100.00%	(1)
Dongguan Masstop	Wintek (China) Technology Ltd. ("Wintek China")	Manufactures and sells electronic components, accessories and related products	16.96%	16.96%	-	(1)
Wintek International Holding	Wintek Far East (Cayman) Corporation ("Wintek Far East")	Overseas reinvested holding company	82.31%	82.31%	81.00%	(1)
Wintek International Holding	Wintek Technology (India) Private Limited ("Wintek India")	Manufactures and processes LCD/LCM and touch panel products	-	-	-	(1)
Wintek Electro-Optics	Wintek Far East	Overseas reinvested holding company	17.69%	17.68%	19.00%	(1)
Wintek Far East	Wintek India	Manufactures and sells LCD/LCM products	100.00%	100.00%	100.00%	(1)

(c) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(d) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period. The tax expense and deferred tax expense for the current period is apportioned by using the estimated income tax expense and deferred tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted, or substantively enacted, at the time the asset or liability is recovered.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

(e) Voluntary changes in accounting policies and accounting estimates

The management of the Corporation considered that the fair value model can provide reliable and more relevant information. Therefore, on May 28, 2014, the board of directors resolved to change the accounting policy for investment properties which took effect on April 1, 2014. Under the new accounting policy, investment properties are subsequently measured using the fair value model.

According to IAS8 「Accounting policies, changes in accounting estimates and errors」, the financial statements should be restated. The impact on the current period is set out below:

Impact on Assets, Liabilities and Equity	September 30, 2014		
Increase in investment properties	163,000		
Decrease in accumulated deficit	155,969		
Increase in exchange difference on translating foreign operations	7,031		
		For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2014
Impact on Total Comprehensive Income			
Decrease in general and administrative expense	\$ 470	1,407	
Increase in other operating income and expenses	-	3,539	
Decrease in net loss for the period	470	4,946	
Increase in other comprehensive income for the period, net of tax	2,971	3,263	
Increase in total comprehensive income for the period	<u>\$ 3,441</u>	<u>8,209</u>	
Decrease in net loss attributable to:			
Owner of the Parent	<u>\$ 470</u>	<u>4,946</u>	
Increase in total comprehensive income attributable to:			
Owner of the Parent	<u>\$ 3,441</u>	<u>8,209</u>	
Impact on earnings per share			
Decrease in basic loss per share	\$ -	-	
Decrease in diluted loss per share	\$ -	-	

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

The impact on the prior reporting periods is set out below:

Impact on Assets, Liabilities and Equity	As Originally Stated	Investment Properties under the Fair Value Model	Restated
<u>September 30, 2013</u>			
Investment properties	\$ <u>67,249</u>	<u>149,540</u>	<u>216,789</u>
Accumulated deficit	\$ (4,279,070)	146,964	(4,132,106)
Exchange difference on translating foreign operations	<u>(75,900)</u>	<u>2,576</u>	<u>(73,324)</u>
Total effect on equity	\$ <u>(4,354,970)</u>	<u>149,540</u>	<u>(4,205,430)</u>
<u>December 31, 2013</u>			
Investment properties	\$ <u>67,318</u>	<u>154,791</u>	<u>222,109</u>
Accumulated deficit	\$ (8,706,924)	151,023	(8,555,901)
Exchange difference on translating foreign operations	<u>284,694</u>	<u>3,768</u>	<u>288,462</u>
Total effect on equity	\$ <u>(8,422,230)</u>	<u>154,791</u>	<u>(8,267,439)</u>
<u>January 1, 2013</u>			
Investment properties	\$ <u>67,403</u>	<u>142,120</u>	<u>209,523</u>
Accumulated deficit	\$ <u>(1,323,142)</u>	<u>142,120</u>	<u>(1,181,022)</u>
Total effect on equity	\$ <u>(1,323,142)</u>	<u>142,120</u>	<u>(1,181,022)</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

Impact on Total Comprehensive Income	As Originally Stated	Investment Properties under the Fair Value Model	Restated
<u>For The Nine Months Ended September 30, 2013</u>			
General and administrative expense	\$ (1,383,146)	1,390	(1,381,756)
Other gains and losses	<u>-</u>	<u>3,454</u>	<u>3,454</u>
Total effect on net loss for the period	<u>(1,383,146)</u>	<u>4,844</u>	<u>(1,378,302)</u>
Total effect on other comprehensive income for the period, net of income tax	<u>961,103</u>	<u>2,576</u>	<u>963,679</u>
Impact on total comprehensive loss for the period	<u>\$ (4,852,991)</u>	<u>7,420</u>	<u>(4,845,571)</u>
Impact on net loss attributable to:			
Owner of the Parent	\$ (5,834,367)	4,844	(5,829,523)
Non-controlling interests	<u>20,273</u>	<u>-</u>	<u>20,273</u>
	<u>\$ (5,814,094)</u>	<u>4,844</u>	<u>(5,809,250)</u>
Impact on total comprehensive income attributable to:			
Owner of the Parent	\$ (4,873,033)	7,420	(4,865,613)
Non-controlling interests	<u>20,042</u>	<u>-</u>	<u>20,042</u>
	<u>\$ (4,852,991)</u>	<u>7,420</u>	<u>(4,845,571)</u>
Basic	<u>\$ (3.16)</u>	<u>-</u>	<u>(3.16)</u>
Diluted	<u>\$ (3.16)</u>	<u>-</u>	<u>(3.16)</u>

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

Impact on Assets, Liabilities and Equity	As Originally Stated	Investment Properties under the Fair Value Model	Restated
<u>For The Three Months Ended September 30, 2013</u>			
General and administrative expense	\$ (425,688)	455	(425,233)
Other gains and losses	<u>-</u>	<u>(30)</u>	<u>(30)</u>
Total effect on net loss for the period	<u>(425,688)</u>	<u>425</u>	<u>(425,263)</u>
Total effect on other comprehensive income for the period, net of income tax	<u>(318,307)</u>	<u>(2,132)</u>	<u>(320,439)</u>
Impact on total comprehensive loss for the period	\$ <u><u>(2,698,682)</u></u>	<u><u>(1,707)</u></u>	<u><u>(2,700,389)</u></u>
Impact on net loss attributable to:			
Owner of the Parent	\$ (2,394,399)	425	(2,393,974)
Non-controlling interests	<u>14,024</u>	<u>-</u>	<u>14,024</u>
	\$ <u><u>(2,380,375)</u></u>	<u><u>425</u></u>	<u><u>(2,379,950)</u></u>
Impact on total comprehensive income attributable to:			
Owner of the Parent	\$ (2,712,746)	(1,707)	(2,714,453)
Non-controlling interests	<u>14,064</u>	<u>-</u>	<u>14,064</u>
	\$ <u><u>(2,698,682)</u></u>	<u><u>(1,707)</u></u>	<u><u>(2,700,389)</u></u>
Basic	\$ <u><u>(1.30)</u></u>	<u><u>-</u></u>	<u><u>(1.30)</u></u>
Diluted	\$ <u><u>(1.30)</u></u>	<u><u>-</u></u>	<u><u>(1.30)</u></u>

5. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

The preparation of the consolidated quarterly financial statements in conformity with the IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and approved by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

In the preparation of the consolidated quarterly financial statements, the major sources of significant accounting judgments and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

(a) Assumption of the Company's ability to continue as a going concern

The consolidated financial statements have been prepared in accordance with the assumption of the Company's ability to continue as a going concern. However, as of September 30, 2014, the Corporation's accumulated deficit was \$18,670,714 thousand; the current liabilities exceeded the current assets by \$20,672,560 thousand. The Corporation is now in the stage of reorganization and the plan of reorganization is being developed. The effective implementation of the reorganization in the near future is under material uncertainty, which may change the basis of the financial statement and may affect the reported amounts of the assets, liabilities, income and expenses.

6. Significant Account Disclosures

(a) Cash and cash equivalents

	September 30, 2014	December 31, 2013	September 30, 2013
Cash on hand	\$ 12,922	14,956	3,956
Checking and savings accounts	2,113,991	4,225,532	2,712,511
Time deposits	<u>1,569,727</u>	<u>2,828,307</u>	<u>2,246,251</u>
	<u>\$ 3,696,640</u>	<u>7,068,795</u>	<u>4,962,718</u>

The cash and cash equivalents are pledged as collateral, please refers to Note 6(b) and Note 8.

Refer to Note 6(p) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities

	September 30, 2014	December 31, 2013	September 30, 2013
Current:			
Financial assets at fair value through profit or loss			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	\$ 62,596	132,356	41,308
Swap contracts	78,735	2,596	-
Option contracts	<u>-</u>	<u>-</u>	<u>763</u>
	<u>\$ 141,331</u>	<u>134,952</u>	<u>42,071</u>

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

	September 30, 2014	December 31, 2013	September 30, 2013
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts	\$ 16,126	392	50,332
Swap contracts	-	2,601	23,112
Interest rate swap contracts	5,059	9,739	9,377
Option contracts	-	-	8,288
	<u>\$ 21,185</u>	<u>12,732</u>	<u>91,109</u>
Available-for-sale financial assets			
Local investments			
Publicly listed stocks	\$ 322,226	511,254	268,560
Beneficiary certificates – funds	35,030	42,582	69,194
	<u>\$ 357,256</u>	<u>553,836</u>	<u>337,754</u>
Other financial assets			
Mortgaged time deposits	\$ 92,979	219,960	148,191
Time deposits with original maturities of more than three months	-	89,415	77,667
Restricted deposits	-	3,000	-
	<u>\$ 92,979</u>	<u>312,375</u>	<u>225,858</u>
Non-current:			
Financial assets carried at cost:			
Unlisted stock			
Kingpak Technology Corporation (“Kingpak”) \$	32,819	123,443	123,443
Hsin Chu Golf Country Club Co., Ltd.	9,620	9,620	9,260
Integrated Solutions Technology, Inc. (“Integrated Solutions”)	6,818	6,818	6,818
Uniflex Technology Inc. (“Uniflex”)	6,434	6,434	6,434
Taichung International Country Club	2,940	2,940	2,940
FocalTech Corporation, Ltd.	-	-	29,570
	<u>\$ 58,271</u>	<u>148,895</u>	<u>178,465</u>
Other financial assets			
Restricted deposits	\$ -	119,220	-
Mortgaged time deposits	6,084	29,805	-
	<u>\$ 6,084</u>	<u>149,025</u>	<u>-</u>

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

- i) The Group uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The Group held the following derivative financial instruments that do not qualify for hedging accounting and presented as held-for-trading financial assets (liabilities):

- 1) As of September 30, 2014, the outstanding forward exchange contracts that do not qualify for hedging accounting are as follows:

		September 30, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD /USD	October 3, 2014 to November 28, 2014	TWD 2,537,725/USD 85,000
Sell/buy	USD /CNY	October 10, 2014 to December 19, 2014	USD 75,099/CNY 465,180
Sell/buy	CNY /USD	October 10, 2014 to December 19, 2014	CNY 465,032/USD 75,099
Sell/buy	USD /JPY	October 29, 2014	USD 6,990/JPY 759,708
		December 31, 2013	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD /USD	January 15, 2014 to March 24, 2014	TWD 9,389,640/USD 319,000
Sell/buy	USD / TWD	January 13, 2014 to March 24, 2014	USD 631/TWD 18,820
Sell/buy	USD / CNY	January 9, 2014 to January 24, 2014	USD 49,076/CNY 303,084
Sell/buy	CNY/ USD	January 15, 2014 to January 17, 2014	CNY 152,68/USD 25,076
		September 30, 2013	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD/USD	October 18, 2013 to December 24, 2013	TWD 7,877,470/USD 265,000
Sell/buy	USD/TWD	October 11, 2013 to October 18, 2013	USD 423/TWD 12,621
Sell/buy	JYP/TWD	October 25, 2013	JPY 3,500/TWD 1,076
Sell/buy	USD/CNY	October 10, 2013 to January 20, 2014	USD 81,000/CNY 506,537
Sell/buy	CNY/USD	October 29, 2013	CNY 94,255/USD 15,204

- 2) As of September 30, 2014, outstanding swap contracts are as follows:

		September 30, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD/USD	October 14, 2014 to July 2, 2015	TWD 6,986,459/USD 232,700
		December 31, 2013	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD/USD	March 18, 2014 to July 3, 2014	TWD 534,310/USD 18,000

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WINTEK CORPORATION

Notes to Financial Statements

	Currency	September 30, 2013 Maturity Date	Notional Amount
Sell/buy	TWD/USD	October 1, 2013 to November 19, 2013	TWD 2,039,701/USD 68,200

3) As of September 30, 2014, outstanding interest rate swap contracts are as follows:

Contract Amount	Maturity Date	September 30, 2014	
		Interest rate payables	Interest rate receivables
USD 10,000	July 20, 2015	2.05% (Yearly, ACT/360)	LI USD 3M+0bp (Quarterly, ACT/360)
Contract Amount	Maturity Date	December 31, 2013	
		Interest rate payables	Interest rate receivables
USD 10,000	July 20, 2015	2.05% (Yearly, ACT/360)	LI USD 3M+0bp (Quarterly, ACT/360)
Contract Amount	Maturity Date	September 30, 2013	
		Interest rate payables	Interest rate receivables
USD 10,000	July 20, 2015	2.05% (Yearly, ACT/360)	LI USD 3M+0bp (Quarterly, ACT/360)

4) As of September 30, 2014, outstanding option contracts are as follows:

	September 30, 2013			
	Contract Amount	Exercise period	Exercise price	Strike price
Long put	USD 1,000	July 25, 2013 to July 25, 2015	Less than USD/ CNY 6.29	USD/ CNY 6.29
Short call	USD 2,000	July 25, 2013 to July 25, 2015	More than USD/ CNY 6.42	USD/ CNY 6.29
Long call	USD 1,000	October 30, 2012 to October 24, 2013	JPY75.80- JPY 79.00	JPY 75.80
Long put	USD 1,000	October 30, 2012 to October 24, 2013	JPY79.00- JPY 84.50	JPY 84.50
Short call	USD 2,000	October 30, 2012 to October 24, 2013	More than JPY 84.50	JPY 84.50
Short put	USD 2,000	October 30, 2012 to October 24, 2013	Less than JPY 74.00	JPY 75.80

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WINTEK CORPORATION

Notes to Financial Statements

- ii) Financial assets carried at cost held by the Group are those that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and, as a result, are measured at cost.

Kingpak reduced its capital and returned 50% share capital to the Corporation in June 2014. The Corporation then provided 30% shares of Kingpak to swap the share of iBMi Technology Inc. with 1.18:1 conversion ratio in August 2014. iBMi Technology Inc. is a listed company and the Group reclassified the swapped parts to available-for-sale financial assets. The Group recognized an impairment loss of \$21,585 thousand of Kingpak based on future recoverable amount for the nine months ended September 30, 2014.

FocalTech Systems Inc. was reorganized on December 21, 2012, and the related share swap between FocalTech Corporation, Ltd. and FocalTech Systems Inc. was set at 1:1. FocalTech Corporation, Ltd.'s shares became listed on the TSE in November 2013. Thus, the Group reclassified the equity investment in FocalTech Corporation, Ltd. to available-for-sale financial assets.

For disclosures on credit, currency and interest rate risks in financial instruments, please refer to Note 6(p). As of September 30, 2014, December 31 and September 30, 2013, financial assets are pledged as collateral, please refer to Note 8.

(c) Notes and accounts receivable

	September 30, 2014	December 31, 2013	September 30, 2013
Notes receivables	\$ 5,423	10,868	1,907
Accounts receivable	9,757,866	11,655,318	8,415,756
Other receivables	103,061	987,511	808,639
Less: allowance for doubtful accounts	<u>(26,405)</u>	<u>(26,127)</u>	<u>(26,088)</u>
	<u>\$ 9,839,945</u>	<u>12,627,570</u>	<u>9,200,214</u>

The average payment term for the sale of goods is 45 to 90 days. The Group recognizes an allowance for doubtful accounts of 100% against all receivables that are probably not recoverable. It assesses the impairment of trade receivable from customers by referring to both the amounts that are expected to be irrecoverable and the historical experience of default.

The movements in allowance for uncollectible accounts receivable, notes receivables and other receivables for the three months ended September 30, 2014 and 2013 were as follows:

(Continued)

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Notes to Financial Statements

	September 30, 2014	September 30, 2013
Balance at January 1	\$ 26,127	25,627
Impairment loss recognized	249	367
Effect of movement in exchange rates	<u>29</u>	<u>94</u>
Balance at September 30	<u>\$ 26,405</u>	<u>26,088</u>

For account receivables - related parties and allowance for doubtful accounts - related parties as of December 31, 2014, please refers to Note 7.

As of September 30, 2014 and 2013, the Group recognized an impairment loss of \$8,563 thousand, for each year, on its accounts receivable. These amounts mainly pertained to account receivables from customers that were in liquidation. The Group has no collateral for these receivables.

Factored accounts receivable were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
September 30, 2014					
Ta Chong Bank	US\$ 77,971	US\$ 76,694	US\$ 1,086	2.31-2.90	US\$ 90,000
Bank of Taiwan	<u>84,133</u>	<u>84,133</u>	<u>-</u>	2.01-2.65	<u>-</u>
	<u>US\$ 162,104</u>	<u>US\$ 115,009</u>	<u>US\$ 1,086</u>		<u>US\$ 90,000</u>
September 30, 2013					
Land Bank	US\$ 25,916	US\$ 25,281	US\$ 571	1.59-2.14	US\$ 9,600
Shanghai Commercial & Savings Bank	16,198	15,801	357	1.59-2.14	6,000
Ta Chong Bank	26,996	26,335	595	1.59-2.14	10,000
Yuanta Commercial Bank	16,197	15,801	357	1.59-2.14	6,000
China Development Industrial Bank	18,897	18,434	417	1.59-2.14	7,000
Taipei Fubon Bank	25,916	25,281	571		9,600
Industrial Bank of Taiwan	16,197	15,801	357	1.59-2.14	6,000
Bank of Taiwan	161,975	158,007	3,571	1.59-2.14	60,000
E. SUN Commercial Bank	25,916	25,281	572	1.59-2.14	9,600
Mega International Commercial Bank	16,197	15,801	357	1.59-2.14	6,000
DBS Bank	18,897	18,434	417	1.59-2.14	7,000
First Commercial Bank	32,395	31,601	714	1.59-2.14	12,000
Ta Chong Bank	180,305	90,372	76,443	1.59-2.14	90,000
Taishin Bank	<u>541</u>	<u>541</u>	<u>-</u>	1.80-1.97	<u>30,000</u>
	<u>US\$ 582,543</u>	<u>US\$ 482,771</u>	<u>US\$ 85,299</u>		<u>US\$ 268,800</u>

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WINTEK CORPORATION

Notes to Financial Statements

Based on the factoring agreements, losses from trade disputes (such as those on sales returns and discounts) are borne by the Corporation while losses from credit risk are borne by the banks. As of September 30, 2014, the Corporation had issued promissory notes to the banks, with the aggregate amounts of \$90,000 thousand, as collateral.

(d) Inventories

	September 30, 2014	December 31, 2013	September 30, 2013
Finished goods	\$ 1,352,026	1,866,526	1,571,626
Work in process	4,444,280	5,592,232	6,847,784
Raw materials and supplies	1,556,112	1,797,430	2,741,040
Commodity	<u>1,902</u>	<u>3,984</u>	<u>2,888</u>
	<u>\$ 7,354,320</u>	<u>9,260,172</u>	<u>11,163,338</u>

The costs of inventories recognized as cost of goods sold for the nine months ended September 30, 2014 and 2013 were \$57,013,346 thousand and \$55,374,135 thousand, respectively.

The write-down of inventories for the nine months ended September 30, 2014 and 2013 increased the cost of sales by \$4,247,328 thousand and \$633,432 thousand, respectively.

As of September 30, 2014, December 31 and September 30, 2013, none of the inventories of the Group were pledged as collateral.

(e) Property, plant and equipment

	Land	Buildings and consturction	Machinery and equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Carrying amount:									
Balance at January 1, 2014	\$ 2,906,419	20,036,508	46,956,469	63,127	356,402	498,908	7,887,143	3,158,162	81,863,138
Additions	-	451,932	700,009	1,674	9,767	561	84,389	570,598	1,818,930
Sales of assets	-	(18,400)	(1,915,953)	(952)	(9,438)	(15,207)	(34,990)	-	(1,994,940)
Reclassification	-	330,112	-	-	-	-	-	(330,112)	-
Effect of movement in exchange rates	<u>-</u>	<u>172,961</u>	<u>287,800</u>	<u>521</u>	<u>4,074</u>	<u>5,590</u>	<u>90,236</u>	<u>64,370</u>	<u>625,552</u>
Balance at September 30, 2014	<u>\$ 2,906,419</u>	<u>20,973,113</u>	<u>46,028,325</u>	<u>64,370</u>	<u>360,805</u>	<u>489,852</u>	<u>8,026,778</u>	<u>3,463,018</u>	<u>82,312,680</u>
Balance at January 1, 2013	\$ 2,900,269	15,416,358	48,272,188	65,102	342,501	457,607	7,574,660	5,362,862	80,391,547
Additions	6,150	352,816	1,473,757	2,676	30,396	14,819	1,104,107	1,079,613	4,064,334
Sales of assets	-	(2,629)	(5,698,635)	(3,313)	(22,669)	(83)	(1,341,466)	-	(7,068,795)
Reclassification	-	1,556,847	(24,076)	(441)	(3,929)	-	(10,314)	(1,556,889)	(38,802)
Effect of movement in exchange rates	<u>-</u>	<u>273,779</u>	<u>1,262,786</u>	<u>1,440</u>	<u>6,160</u>	<u>18,904</u>	<u>246,866</u>	<u>157,596</u>	<u>1,967,531</u>
Balance at September 30, 2013	<u>\$ 2,906,419</u>	<u>17,597,171</u>	<u>45,286,020</u>	<u>65,464</u>	<u>352,459</u>	<u>491,247</u>	<u>7,573,853</u>	<u>5,043,182</u>	<u>79,315,815</u>

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WINTEK CORPORATION

Notes to Financial Statements

	Land	Buildings and constructure	Machinery and equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Accumulated depreciation:									
Balance at January 1, 2014	\$ -	4,970,103	22,345,984	36,656	265,630	287,772	3,664,908	-	31,571,053
Depreciation for the year	-	870,123	1,972,704	6,565	40,099	86,486	783,398	-	3,759,375
Sales of assets	-	(5,486)	(1,505,076)	(952)	(9,296)	(15,207)	(29,457)	-	(1,565,474)
Effect of movement in exchange rates	-	36,302	185,066	430	3,468	3,947	47,842	-	277,055
Balance at September 30, 2014	\$ -	<u>5,871,042</u>	<u>22,998,678</u>	<u>42,699</u>	<u>299,901</u>	<u>362,998</u>	<u>4,466,691</u>	-	<u>34,042,009</u>
Balance at January 1, 2013	\$ -	3,809,612	21,019,696	32,842	229,298	165,279	3,867,704	-	29,124,431
Depreciation for the year	-	779,999	4,692,347	6,906	41,617	83,080	748,199	-	6,352,148
Sales of assets	-	(2,629)	(5,496,530)	(3,013)	(21,322)	(83)	1,336,798	-	(4,186,779)
Disposals	-	-	-	-	-	-	-	-	-
Others	-	(2)	(5,613)	(126)	(1,740)	-	(3,774)	-	(11,255)
Effect of movement in exchange rates	-	58,098	424,732	876	2,731	6,850	84,830	-	578,117
Balance at September 30, 2013	\$ -	<u>4,645,078</u>	<u>20,634,632</u>	<u>37,485</u>	<u>250,584</u>	<u>255,126</u>	<u>6,033,757</u>	-	<u>31,856,662</u>
Accumulated impairment									
Balance at January 1, 2013	\$ 33,981	77,180	4,139,182	-	-	-	2,167	-	4,252,510
Impairment for the year	-	3,842,213	3,080,236	1,237	339	-	11,973	-	6,935,998
Sales of assets	-	-	(330,768)	-	-	-	-	-	(330,768)
Effect of movement in exchange rates	-	39,523	64,378	-	3	-	65	-	103,969
Balance at September 30, 2014	\$ <u>33,981</u>	<u>3,958,916</u>	<u>6,953,028</u>	<u>1,237</u>	<u>342</u>	-	<u>14,205</u>	-	<u>10,961,709</u>
Balance at January 1, 2013	\$ 33,981	84,446	722,818	-	-	-	2,047	-	843,292
Sales of assets	-	-	(1,852)	-	-	-	-	-	(1,852)
Effect of movement in exchange rates	-	(8,855)	17,295	-	-	-	85	-	8,525
Balance at September 30, 2013	\$ <u>33,981</u>	<u>75,591</u>	<u>738,261</u>	-	-	-	<u>2,132</u>	-	<u>849,965</u>
Carrying amount:									
Balance at January 1, 2014	\$ <u>2,872,438</u>	<u>14,989,225</u>	<u>20,471,303</u>	<u>26,471</u>	<u>90,772</u>	<u>211,136</u>	<u>4,220,068</u>	<u>3,158,162</u>	<u>46,039,575</u>
Balance at September 30, 2014	\$ <u>2,872,438</u>	<u>11,143,155</u>	<u>16,076,619</u>	<u>20,434</u>	<u>60,562</u>	<u>126,854</u>	<u>3,545,882</u>	<u>3,463,018</u>	<u>37,308,962</u>
Balance at January 1, 2013	\$ <u>2,866,288</u>	<u>11,522,300</u>	<u>26,529,674</u>	<u>32,260</u>	<u>113,203</u>	<u>292,328</u>	<u>3,704,909</u>	<u>5,362,862</u>	<u>50,423,824</u>
Balance at September 30, 2013	\$ <u>2,872,438</u>	<u>12,876,502</u>	<u>23,913,127</u>	<u>27,979</u>	<u>101,875</u>	<u>236,121</u>	<u>1,537,964</u>	<u>5,043,182</u>	<u>46,609,188</u>

i) Leased assets

Under an operating lease, the Corporation rents the sites of its manufacturing facilities for ten years from the Ministry of Economic Affairs (MOEA) under the various contracts, with the latest expiry in April 2020. The monthly rental is \$233 thousand.

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WINTEK CORPORATION**Notes to Financial Statements**

ii) Impairment loss

The Corporation recognized the impairment losses of property, plant and equipment, long-term prepayment for lease and prepayments for equipment were \$6,935,998 thousand by the Valuator's report.

Changes and procedures in the production technology also resulted in an impairment loss of \$3,394,590 thousand in 2013 based on the book value of certain old machinery and equipment.

iii) Interest capitalized

Interest capitalized for purchasing property, plant, and equipment for the nine months ended September 30, 2014 and 2013 amounted to \$37,204 thousand and \$7,425 thousand, respectively. The interest capitalization rates were 2.41 %~5.91% and 2.29%~2.75%, respectively.

iv) Pledged as collateral

The information of the property, plant and equipment pledged as collateral please refer to note 8.

v) Others

For its building expansion, Mactech entered into a contract to buy a 3,874-square meter lot located on Tanxing Road in the Tanzi District in Taichung in December 2007. However, because this lot is classified as an agricultural land, the title to this lot is under the name of Mactech's president. Nevertheless, Mactech's president has signed a trust deed assigning Mactech as the beneficiary of this lot.

(f) Investment properties

The investment properties were leased out for three year. All lease contracts contain market review clauses applicable to contract renewals. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

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Notes to Financial Statements

The commitments on future minimum lease payments under non-cancellable operating lease were as follows:

	September 30, 2014	December 31, 2013	September 30, 2013	January 1, 2013
Not later than one year	\$ 3,217	4,780	4,788	2,919
Later than one year and not later than five years	<u>2,432</u>	<u>4,793</u>	<u>5,574</u>	<u>9,539</u>
	<u>\$ 5,649</u>	<u>9,573</u>	<u>10,362</u>	<u>12,458</u>

The fair values were based on the valuations carried out on those dates by independent qualified professional valuator, Mr. WANG, CHUN-HSIUNG, a member of certified ROC real estate appraiser.

The fair value of investment properties were measured using the income approach. The significant assumptions used were as follows:

	September 30, 2014	December 31, 2013	September 30, 2013	January 1, 2013
Expected future cash inflows	\$ 228,982	222,236	229,830	229,830
Expected future cash outflows	<u>(1,106)</u>	<u>(1,092)</u>	<u>(1,096)</u>	<u>(1,093)</u>
Expected future cash inflows, net	<u>\$ 227,876</u>	<u>221,144</u>	<u>217,934</u>	<u>213,197</u>
Discount rate (%)	<u>2.625%</u>	<u>2.625%</u>	<u>2.625%</u>	<u>2.625%</u>

The market rentals in the area where the investment property is located were between HKD \$1 thousand and HKD \$2 thousand per ping.

The investment property had been leased out under operating leases. The rental income generated for the three months and nine months ended September 30, 2014 and 2013 were \$778 thousand, \$776 thousand, \$4067 thousand, and \$1,643 thousand, respectively.

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Group's current lease contract and the rental of the comparable target in the nearby location, taking into account the annual rental growth rate, and the income analysis covering a 23-year period, the interest income on rental deposits was extrapolated using the interest rate for 1-year, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment property included expenditure such as insurance premium, maintenance costs and others.

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The discount rate was based by reference to the interest rate for two-year time deposits of Chunghwa Post Co., Ltd plus 0.75% and any asset-specific risk premiums of 0.5%.

Refer to Note 8 for the carrying amount of the investment property pledged by the Group for its borrowings.

(g) Prepayments for lease

All the leased properties in the above locations were used to build factories, office buildings and employee dormitories.

The Group's leased lands in March 31, 2014 were as follows :

	Location	Period for Use (Years)
United Win China	Suzhou Industrial Park, China	45~70
Dongguan Masstop	Mulberry Industrial Park, China	50
Wintek China	Dongguan Songshan Lake Sci&Tech Industry Park, China	50
Wintek India	Nokia Telecom Special Economic Zone, India	33
Wintek Vietnam	Quang Chau Industrial Park, Vietnam	43.75~44
	Quang Chau New Urban Area, Vietnam	44

(h) Long-term and short-term borrowings

i) Short-term borrowings

	September 30, 2014	December 31, 2013	September 30, 2013
Unsecured loans	\$ 15,707,147	20,458,728	22,813,138
Secured loans	<u>2,035,905</u>	<u>1,159,079</u>	<u>-</u>
	<u>\$ 17,743,052</u>	<u>21,617,807</u>	<u>22,813,138</u>
Interest rate (%)			
Unsecured loans	<u>1.06~3.73</u>	<u>1.27~3.66</u>	<u>1.27~3.59</u>
Secured loans	<u>2.15~6.00</u>	<u>3.86~6.00</u>	<u>-</u>

ii) Short-term bills payable

Short-term bills payable consisted of commercial paper. These instruments had been issued at annual discount rates of 1.08% as of December 31, 2013 and September 30, 2013.

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WINTEK CORPORATION
Notes to Financial Statements

iii) Long-term borrowings

	Interest rate	September 30, 2014	December 31, 2013	September 30, 2013
Secured loans	2.19%~5.82%	\$ 13,517,305	9,670,124	10,277,323
Unsecured loans	2.33%	76,050	6,158,341	6,192,961
Other loans	3.06%~6.03%	<u>268,182</u>	<u>409,585</u>	<u>462,490</u>
		13,861,537	16,238,050	16,932,774
Less: current portion		<u>(4,369,698)</u>	<u>(9,226,179)</u>	<u>(8,847,840)</u>
		<u>\$ 9,491,839</u>	<u>7,011,871</u>	<u>8,084,934</u>

In November 2010, the Corporation entered into a secured-loan agreement amounting to \$6.5 billion with a syndicate of banks led by Bank of Taiwan. This loan was for constructing plants and buying equipment. The agreements provided that the Corporation (a) should maintain certain current, debt-to-equity and interest coverage ratios based on the Corporation's annual consolidated financial statements; and (b) should not, without the prior written consent of the majority of the banking syndicate, sell important assets and royalties, buy back its own shares and reduce capital during the contract period.

The arrangement fee for the banking syndicate is recognized as a reduction of financial liabilities and amortized using the straight-line method over the loan period.

In August 2011, Masstop and United Win HK entered into a US\$200,000 thousand loan agreement with a syndicate of banks led by Bank of Taiwan. The Corporation guaranteed this loan. Under the loan agreement, the Corporation should (a) maintain certain current, debt and interest coverage ratios every fiscal year based on the Corporation's audited annual consolidated financial statements and (b) ensure that as a direct or indirect owner of more than 75% equity interest each in Masstop, United Win HK, Dongguan Masstop and United Win China, it will maintain operating control over these four subsidiaries.

The above US\$200,000 thousand loan agreement was expired in September 2014. However, the Group had reached an agreement with the banks in September, 2014, including deferral of the payment and provide properties for guarantee.

As of December 31, 2013, the Group could not meet some terms of the agreements that were primarily related to the consolidated financial ratio of the Group. Nevertheless, as of March 4, 2014, the date of the approval of the issuance of the 2013 consolidated financial statements, the banking syndicate had agreed to waive its right to demand immediate loan repayment. Thus, the loan had not been classified as a current liability as of December 31, 2013.

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Notes to Financial Statements

In June 2012, Wintek China entered into a US\$180,000-thousand syndicated loan agreement with China Development Bank and Bank of China Limited - Dongguan Branch. Dongguan Masstop guaranteed this syndicated loan and provided machinery and equipment as loan collateral together with Wintek China. Under the loan agreement, Wintek China should (a) maintain certain debt to asset, receivables turnover and debt coverage ratios and (b) have annual gross sales of not less than RMB2,000,000 thousand at least after the third year of the loan agreement signing.

(i) Employee benefits

i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2013 and 2012.

The details of the Group's expenses were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating costs	\$ 98,144	110,532	284,925	311,423
Operating expenses	<u>16,308</u>	<u>14,239</u>	<u>44,828</u>	<u>45,197</u>
Total	<u>\$ 114,452</u>	<u>124,771</u>	<u>329,753</u>	<u>356,620</u>

ii) Defined contribution plans

The Group's pension costs under the defined contribution method were \$590 thousand, \$348 thousand, \$1,785 thousand and \$1,046 thousand for the three and nine months ended September 30, 2014 and 2013, respectively. Payment was made to the Bureau of Labor Insurance.

Except for the subsidiaries which belong to reinvested holding companies are not under the contribution method, the pension cost of foreign subsidiaries recognized in accordance with the local defined contribution method amounted to \$211 thousand, \$(164) thousand, \$649 thousand and \$(113) thousand for the three and nine months ended September 30, 2014 and 2013, respectively.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

(j) Income taxes

i) The details of the Group's income tax expense were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Current tax expense				
Current period	\$ 4,812	(4,521)	21,801	10,308
Prior years income tax adjustment	670	13	261,195	495
	<u>264,972</u>	<u>(4,508)</u>	<u>282,996</u>	<u>10,803</u>
Deferred tax expense				
Current period	1,192,847	(24,212)	1,260,033	3,655
Other	-	-	63	-
Income tax expense	<u>\$ 1,457,819</u>	<u>(28,720)</u>	<u>1,543,092</u>	<u>14,458</u>

ii) No income tax was recognized directly in equity for the nine months ended September 30, 2014 and 2013.

iii) Calculation of the ICA balance and the creditable ratio were as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Unappropriated earnings retained after January 1, 1998	\$ <u>(18,670,714)</u>	<u>(8,555,901)</u>	<u>(4,132,076)</u>
ICA balance	\$ <u>250,523</u>	<u>249,264</u>	<u>249,198</u>
		2014 (actual)	2013 (actual)
Creditable ratio for earnings distribution		<u>-</u> %	<u>-</u> %

The above information on the integrated income tax system is in accordance with the provision of Tai-Tsai Shui No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

- iv) In November 2010, the Industrial Development Bureau (IDB) approved the tax credits for Emerging, Important and Strategic Industries. The credits can be used to reduce the Corporation's tax obligations for five years beginning 2013.
 - v) Income tax returns through 2012 had been examined and cleared by the tax authorities
- (k) Equity

i) Share Capital

1) Common stocks

The Corporation issued 40,000 thousand units of GDRs (equal to 200,000 thousand common shares) in 2014. The issuance price was NT\$9.85 per share (Each GDR represented the right to receive five common shares, with the issuance price of US\$1.64 for each unit). The registration procedure related to GDRs had been completed.

As of September 30, 2014, December 31, 2013 and September 30, 2013, the total value of the nominal ordinary shares amounted to \$25,000,000 thousand. In addition, \$20,477,784 thousand, \$18,477,784 thousand and \$18,477,784 thousand, respectively, were issued. Face value of each share is \$10.

2) Common share issuance through private placement

In October 2006, the Corporation issued 32,444 thousand common shares at a par value of NT\$10.00 per share through private placement in accordance with Article 43-6 of the Securities and Exchange Act. The issuance price was NT\$27.74 per share. These shares could be resold only after three years from the delivery date (November 23, 2006). As of September 30, 2014, the shares had not been listed because the Corporation had an accumulated deficit in the most recent fiscal year and did not meet the requirement for public listing under the Guidelines and Provisions in Article 12-1 of the Taiwan Stock Exchange Corporation's Rules for the Review of Securities Listings

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WINTEK CORPORATION

Notes to Financial Statements

3) Issuance of global depositary receipts (GDRs)

The Corporation increased its capital by issuing GDRs. Each GDR represented the right to receive five common shares. Other information on GDRs is as follows:

	Issued Units	Issued Shares of Stock (In Thousands)	Issue Price (US\$)
October 2002	16,000,000	80,000	\$ 3.835
November 2004	19,000,000	95,000	5.240
October 2007	20,000,000	100,000	6.000
April 2010	30,000,000	150,000	4.070
January 2011	40,000,000	200,000	8.264
June 2012	40,000,000	200,000	2.500
June 2014	40,000,000	200,000	1.640

As of September 30, 2014, the GDR holders had exchanged GDRs amounting to US\$792,357 thousand, representing 1,047,091 thousand common shares, and the total outstanding GDRs were equal to 6 thousand common shares, or 0.0003% of the total capital shares issued.

The GDR holders have the same rights as the Corporation's shareholders. In addition, under the related Acts and depositary agreement, the GDR depositary will act on behalf of the GDR holders when they:

- A) Exercise their voting rights;
- B) Sell the securities of their depositary receipts; and
- C) Receive dividends and subscribe for capital stock.

ii) Capital Surplus

	September 30, 2014	December 31, 2013	September 30, 2013
Additional paid-in capital	\$ 6,757,584	15,381,964	15,381,964
Treasury share transactions	-	172,402	172,402
Gains or losses arising from the acquisition or disposal of subsidiaries	1,235	1,235	1,235
Excess by merger	48,478	48,478	48,478
Recognize cash capital increase by investment company	318	318	318
Total	\$ <u>6,807,616</u>	<u>15,604,397</u>	<u>15,604,397</u>

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WINTEK CORPORATION**Notes to Financial Statements**

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

iii) Legal reserve

In accordance with the amended Company Act, 10% of net income should be set aside as statutory earnings reserve until it is equal to share capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

iv) Special reserve

The Corporation appropriates or reverses its special reserve under Rule No. 1010012865 and No. 1010047490 issued by the FSC, and directive titled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". The Corporation also appropriates and reserves its special reserve in accordance with Rule No. 1030006415 issued by the FSC. At the first-time adoption of IFRSs, the Group had the accumulated deficit at the date of transition of IFRS, and on the initial application of fair value model for investment properties, the Group's accumulated deficits exceeded its net increase arising from the fair value measurement and transferred its net value to accumulated deficits; thus, no special reserve was appropriated.

v) Retained Earnings and Dividends Policy

Based on the Corporation's articles of incorporation, 10% of the annual net income after offsetting prior years' deficits is to be set aside as a legal reserve. The remaining, if any, after special reserves are appropriated in accordance with the SFB regulations, shall be distributed as follows:

- 1) Bonus to employees including employees of subsidiaries should not be lower than 15%;
- 2) Remuneration to the directors and supervisors should not be not higher than 2%;
- 3) Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

Under the Corporation Act, the board of directors should draft a proposal on earnings distribution for approval at the shareholders' meeting. In principle, cash dividends should be more than 10% of total dividends.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

For the nine months ended September 30, 2014 and 2013, the Corporation had no profits; thus, no employee bonuses and remuneration to directors and supervisors were recognized.

The offset of the deficits for 2013 and 2012 that was approved at the shareholders' meeting in May 23, 2014 and May 22, 2013 was as follows:

	Offset of Deficit 2013	Offset of Deficit 2012
Offset of deficit against capital surplus	\$ <u>8,706,924</u>	<u>2,878,439</u>

Information on employees bonuses, and remuneration to directors and supervisors proposed by the Corporation's board of directors is available on the Market Observation Post System website of the TSE.

vi) Other equity

	Foreign exchange differences arising from foreign operations	available-for- sale financial assets	Total
Balance at January 1, 2014	\$ 288,462	370,440	658,902
Foreign exchange differences	263,605	-	263,605
Unrealized gains and losses from available-for-sale financial assets	-	(163,314)	(163,314)
Balance at September 30, 2014	\$ <u>552,067</u>	<u>206,126</u>	<u>758,193</u>
Balance at January 1, 2013	\$ (1,039,918)	136,890	903,028
Foreign exchange differences	966,564	-	966,564
Unrealized gains and losses from available for sale financial assets	-	(2,684)	(2,684)
Balance at September 30, 2013	\$ <u>(73,354)</u>	<u>134,206</u>	<u>60,852</u>

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WINTEK CORPORATION

Notes to Financial Statements

(l) Share-based payment arrangements

Under stock option plans (the "Plans"), the Corporation issued to employees 29,000 units in August 2007; and Mactech, 2,000 units in July 2008. Each unit represents one thousand common shares. Employees eligible to receive the Corporation's options under the Plan are full-time employees of both the Corporation and subsidiaries. Certain percentages of the options of the Corporation and Mactech are exercisable two years from the grant dates. The option certificate is valid for six years and the vested right is exercisable on the basis of an employee's service years. The exercise price of the Corporation's stock option is the closing price of its share on the grant date. If any change is made in the common stock subject to the Plan, the exercise price of any Plan options outstanding will be adjusted in accordance with a certain formula. The exercise prices of the stock options granted by Mactech was NT\$10.00 per common share and not subject to adjustments.

Other information on the Corporation's employee stock options is as follows:

	Nine Months Ended September 30, 2014	
Employee Stock Options	Units	Weighted Average Exercise Price (NT\$)
Balance, beginning of period	4,241	\$ 28.30
Options forfeited	(4,241)	28.30
Balance, end of period	-	-
Options exercisable, end of period	-	-

The compensation cost recognized under the intrinsic value method for the nine months ended September 30, 2013 was zero. Had the Corporation used the Black-Scholes Model to price the options granted, the method, the assumptions and pro forma information, assuming the employee stock options had been granted before December 31, 2007, would have been as follows:

Black-Scholes Model

Assumptions	
Risk-free interest rate	2.28%
Expected life	4 years
Expected volatility	44.06%
Expected dividend yield	-

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

	Nine months Ended September 30, 2013
Net loss	
Pro forma	\$ <u>(5,829,493)</u>
Loss per share (NT\$)	
Pro forma	\$ <u>(3.16)</u>

Other information on Mactech's employee stock options is as follows:

Employee Stock Options	Nine Months Ended September 30		2013	
	2014	Weighted- average Exercise Price (NT\$)	2013	Weighted- average Exercise Price (NT\$)
	Units		Units	
Balance, beginning of period	34	\$ 10.00	381	10.00
Options forfeited	<u>(34)</u>	10.00	<u>(4)</u>	10.00
Balance, end of period	<u>-</u>	-	<u>34</u>	10.00
Options exercisable, end of period	<u>-</u>	-	<u>34</u>	10.00

Information on Mactech's outstanding options is as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Exercise price (NT\$)	\$ -	10.00	10.00
Weighted-average remaining contractual life (years)	-	0.58	0.83

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WINTEK CORPORATION

Notes to Financial Statements

(m) Impairment of other asset

	September 30, 2014
Property, plant and equipment	\$ 6,935,998
long-term prepayment for lease	1,813
Prepayments for equipment	35,602
Goodwill	<u>37,217</u>
Total	<u>\$ 7,010,630</u>

(n) Earnings per share

Basic earnings per common share:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Comprehensive income	\$ <u>(15,611,788)</u>	<u>(2,393,944)</u>	<u>(18,821,737)</u>	<u>(5,829,493)</u>
Number of shares(In Thousands)	<u>2,047,778</u>	<u>1,847,778</u>	<u>1,937,888</u>	<u>1,847,778</u>
Basic earnings per common share(NT\$)	\$ <u>(7.62)</u>	<u>(1.30)</u>	<u>(9.71)</u>	<u>(3.16)</u>
Diluted earnings per common share(NT\$)	\$ <u>(7.62)</u>	<u>(1.30)</u>	<u>(9.71)</u>	<u>(3.16)</u>

Since the exercise price of the options issued by the Corporation exceeded the average market price of the shares in the Nine Months ended September 30, 2013, the options were anti-dilutive and excluded from the computation of diluted EPS.

(o) Financial Instruments

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of September 30, 2014 and 2013 and December 31, 2013, the maximum amount exposed to credit risk were \$14,276,225 thousand, \$15,018,385 thousand and \$21,670,691 thousand, respectively.

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WINTEK CORPORATION

Notes to Financial Statements

ii) Liquidity Risk

Due to financial difficulties, the Corporation was not able to pay the Group's financial liabilities, including borrowings and interests, within the period specified in the contracts. Therefore, it applied for a reorganization to the Taiwan Taichung District Court, which had been approved on April 27, 2015. Please refer to note 12.

iii) Market risk

1) Exposure to foreign currency risk

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

	September 30, 2014			December 31, 2013			September 30, 2013		
	Foreign Currency	Exchange Rate	New Taiwan Dollar	Foreign Currency	Exchange Rate	New Taiwan Dollar	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets									
Monetary items									
USD:TWD	\$ 1,055,720	30.420	\$32,115,000	850,848	29.810	25,359,514	629,426	29.570	18,612,119
USD:CNY	582,468	6.150	17,718,673	529,438	6.100	15,779,885	525,580	6.150	15,541,414
JPY:TWD	43,698	0.280	12,148	289,698	0.280	82,245	31,085	0.300	9,391
Financial liabilities									
Monetary items									
USD:TWD	1,411,618	30.420	42,941,432	1,171,623	29.810	34,920,233	950,348	29.570	28,101,791
USD:CNY	1,239,394	6.150	37,702,375	1,187,584	6.100	35,395,933	1,163,838	6.150	34,414,676
JPY:TWD	1,267,714	0.280	352,424	1,523,708	0.280	432,581	1,153,649	0.300	348,517

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, derivative financial assets for hedging, trade and other receivables (including related parties), loans and borrowings, financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging and trade, accounts payable (including related parties) accrued expenses and other payables that are denominated in foreign currency. If other variables were held constant, a weakening (strengthening) 1% of each major foreign currency against the Group entities' functional currency as of September 30, 2015 and 2014 would have affected the net profit before tax \$459,629 thousand and \$287,021 thousand, respectively.

iv) Interest rate analysis

The interest rate risk exposure of financial assets and liabilities are disclosed in the note of liquidity risk management.

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WINTEK CORPORATION

Notes to Financial Statements

The following sensitivity analysis is based on the risk exposure to interest rate on derivative and non derivative financial instruments on the reporting date. Regarding the liabilities with variables interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.3% when reporting to the management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If all other variables were held constant, a weakening (strengthening) 0.1% of the interest rate against the Corporation entities' functional currency as of September 30, 2014 and 2013 would have affected the net profit before tax by \$31,605 thousand and \$39,746 thousand, respectively.

v) Fair value information

1) The kinds of financial instruments and fair value

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

	Book value	September 30, 2014 Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 141,331	-	141,331	-	141,331
Available-for-sale financial assets	<u>357,256</u>	<u>357,256</u>	<u>-</u>	<u>-</u>	<u>357,256</u>
	<u>498,587</u>	<u>357,256</u>	<u>141,331</u>	<u>-</u>	<u>498,587</u>
Loans and receivables					
Cash and cash equivalents	3,696,640	-	-	-	-
Financial asset at cost	58,271	-	-	-	-
Notes and Accounts receivable	9,736,884	-	-	-	-
Other receivables	103,061	-	-	-	-
Other financial assets	99,063	-	-	-	-
Guarantee deposits paid	<u>83,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,777,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>14,276,225</u>	<u>357,256</u>	<u>141,331</u>	<u>-</u>	<u>498,587</u>

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

	Book value	September 30, 2014 Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>21,185</u>	<u>-</u>	<u>21,185</u>	<u>-</u>	<u>21,185</u>
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	17,743,052	-	-	-	-
Notes and accounts payable (including related parties)	15,040,432	-	-	-	-
Other payables	6,033,437	-	-	-	-
Long-term borrowings (including current portion)	<u>13,861,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>52,678,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>52,699,643</u>	<u>-</u>	<u>21,185</u>	<u>-</u>	<u>21,185</u>
		December 31, 2014 Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 134,952	-	134,952	-	134,952
Available-for-sale financial assets	<u>553,836</u>	<u>553,836</u>	<u>-</u>	<u>-</u>	<u>553,836</u>
	<u>688,788</u>	<u>553,836</u>	<u>134,952</u>	<u>-</u>	<u>688,788</u>
Loans and receivables					
Cash and cash equivalents	7,068,795	-	-	-	-
Financial asset at cost	148,895	-	-	-	-
Notes and Accounts receivable	11,640,059	-	-	-	-
Other receivables	987,511	-	-	-	-
Other financial assets	461,400	-	-	-	-
Guarantee deposits paid	<u>75,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,381,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>21,070,691</u>	<u>553,836</u>	<u>134,952</u>	<u>-</u>	<u>688,788</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>12,732</u>	<u>-</u>	<u>12,732</u>	<u>-</u>	<u>12,732</u>
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	21,617,807	-	-	-	-
Notes and accounts payable (including related parties)	11,911,579	-	-	-	-
Other payables	5,612,541	-	-	-	-
Long-term borrowings (including current portion)	<u>15,238,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>54,379,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>54,392,709</u>	<u>-</u>	<u>12,732</u>	<u>-</u>	<u>12,732</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

		September 30, 2013			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 42,071	-	42,071	-	42,071
Available-for-sale financial assets	<u>337,754</u>	<u>337,754</u>	-	-	<u>337,754</u>
	<u>379,825</u>	<u>337,754</u>	<u>42,071</u>	-	<u>379,825</u>
Loans and receivables					
Cash and cash equivalents	4,962,718	-	-	-	-
Financial asset at cost	178,465	-	-	-	-
Notes and Accounts receivable	8,391,575	-	-	-	-
Other receivables	808,639	-	-	-	-
Other financial assets	225,858	-	-	-	-
Guarantee deposits paid	<u>71,305</u>	-	-	-	-
	<u>14,638,560</u>	-	-	-	-
Total	<u>\$ 15,018,385</u>	<u>337,754</u>	<u>42,071</u>	-	<u>379,825</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 91,109	-	91,109	-	91,109
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	22,813,138	-	-	-	-
Notes and accounts payable (including related parties)	7,292,957	-	-	-	-
Other payables	5,010,173	-	-	-	-
Long-term borrowings (including current portion)	<u>16,932,774</u>	-	-	-	-
	<u>52,049,042</u>	-	-	-	-
Total	<u>\$ 52,140,151</u>	-	<u>91,109</u>	-	<u>91,109</u>

2) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

- A) The fair value of short-term financial instruments is determined using the carrying amount on the balance sheet. The carrying amount is a reasonable approximation of fair value since these instruments will mature soon. This method shall apply to cash and cash equivalents, trade and other receivables/payables, current tax assets, and refundable deposits/deposit received.
- B) The fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market prices. If the market for a financial instrument is not active, the fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants, which are readily available to the Group.

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WINTEK CORPORATION**Notes to Financial Statements**

- C) Investments accounted for using equity method was investments in non-public stocks, which cannot be reliably measured and whose fair value cannot be estimated as there is no quoted price in the market.
 - D) The fair value of financial assets at cost was investments in non-public stocks, which cannot be reliably measured and whose fair value cannot be estimated as there is no quoted price in the market.
 - E) The borrowed amount of long-term borrowings uses the carried floating interest rates as its fair value. However, the fair value of other borrowings is estimated by using the discounted cash flows. The discount rate is based on the interest rate of long-term loans the Corporation could obtain.
- 3) Transfers of financial instruments between any levels

There were no transfers of financial instruments between any levels for the nine months ended September 30, 2014 and 2013.

(p) Financial risk management

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury provides services to the business, coordinates access to domestic and international financial markets, manages and monitors the financial risks relating to the operations of the Group through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge against risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Corporation's board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors.

1) Market risk

The Group's activities expose it primarily to financial risks due to changes in foreign currency exchange rates and interest rates. The Group uses a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- A) Forward exchange contracts to hedge against the exchange rate risk on imports and exports; and
- B) Interest rate swaps to mitigate the risk of rising interest rates.

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WINTEK CORPORATION**Notes to Financial Statements**

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Corporation have foreign currency sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters through forward exchange contracts.

b) Interest rate risk management

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and by using interest rate swap contracts.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

3) Liquidity risk management

As of September 30, 2014 the Group's current assets amounting to \$23,326,974 thousand was less than current liability amounting to \$43,999,534 thousand.

(q) Capital management

The Company has financial difficulties so it can not repay the debt interest. The Taiwan Taichung District Court rendered a ruling to approve for the Corporation's reorganization, with the case number-2014, Serial No. 2, on April 27, 2015. The reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. The Court recognized and confirmed the reorganization plan on October 15, 2018, and approved it on December 11, 2018. Please refer to note 12.

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WINTEK CORPORATION

Notes to Financial Statements

7. Related-party transactions

(a) Parent company and ultimate controlling party

The Corporation is the ultimate controlling party of the Corporation and its subsidiaries.
Significant related party transactions

(b) Related-party transactions

Relationships between the Corporation and its subsidiaries

	Relationships between the Corporation and its subsidiaries
Wintek Technology Cayman	Subsidiary
Wintek BVI	Subsidiary
Masstop LLC	Subsidiary
United Win Investment Corporation	Subsidiary
Wintek Electro-Optic (Note.1)	Subsidiary
Wintek Central Europe (Note.2)	Subsidiary
Mactech Corporation	Associate
Wintek International Holding	Subsidiary
WinPower Optronics Corporation	Associate
United Win Technology (Cayman) Corporation (United Win Cayman)	Subsidiary
United Win (H.K.) Technology Limited (United Win H.K.)	Subsidiary
Wintek Technology (H.K.) Limited (Wintek Technology H.K.)	Subsidiary
Masstop Asia Pacific Ltd. (Masstop Asia)	Subsidiary
Wintek International (Samoa) Corporation (Wintek Samoa)	Subsidiary
Wintek Vietnam Co., Ltd.(Wintek Vietnam)	Subsidiary
Wintek Far East (Cayman) Corporation (Wintek Far East)	Subsidiary
Wintek Technology (India) Private Limited (Wintek India)	Subsidiary
United Win (China) Technology Limited (United Win China)	(Note.3)
Wintek (China) Technology Ltd. (Wintek China)	(Note.4)
Dongguan Masstop Liquid Crystal Display Co., Ltd. (Dongguan Masstop)(Note.5)	Associate
DongGuan Sheng Feng Import and Export Trading Co., Ltd. (DongGuan Sheng Feng)(Note.6)	Associate
DongGuan Innolife Electronic Technology Co., Ltd. (DongGuan Innolife)(Note.6)	Associate

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WINTEK CORPORATION

Notes to Financial Statements

- Note.1 : Wintek Electro-Optic applies for dissolution in December 2017, the liquidation target date is December 31,2017. As of report date, the liquidation procedures are still in progress..
- Note.2 : Wintek Central Europe handled the end of business during 2015, the liquidation target date was December 22, 2017, and the liquidation procedures had finished.
- Note.3 : SuZhou Industrial Park People's Court rendered a ruling to approve the reorganization of United Win China on March 19, 2015, and rendered a ruling to approve the reorganization, on June 8, 2017, according to the reorganization plan, the total equity of United Win China was transferred to the new shareholders, and the legal representative and the shareholder were changed. On August 16, 2017, it has not been the related party of the company since the change date.
- Note.4 : Dongguan Intermediate People's Court rendered a ruling to approve the reorganization of Wintek China on August 13, 2015. Dongguan LENS technology company settles Wintek China debts with its own funds based on the reorganization plan of Wintek China. According to the reorganization plan, the total equity and property, plant and equipment of Wintek China were transferred to Dongguan LENS technology company on March 9, 2017. It has not been the related party of the company since the change date.
- Note.5 : Dongguan Intermediate People's Court rendered a ruling to approve the reorganization of Dongguan Masstop on August 13, 2015. As Dongguan Masstop and its reorganization Manager did not submit the draft reorganization plan on schedule, the reorganization procedure was terminated on July 4, 2016, and Dongguan Masstop was declared bankrupt.
- Note.6 : Dongguan first People's Court rendered a ruling to approve the bankruptcy liquidated of DongGuan Sheng Feng Import and Export Trading Co., Ltd. and DongGuan Innolife Electronic Technology Co., Ltd. on July 11, 2017.

(c) Significant related party transactions

i) Purchase

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Corporate director	\$ <u>207,345</u>	<u>-</u>	<u>207,752</u>	<u>-</u>

The prices for purchases from related parties are individually negotiated on the basis of the difference between the related parties' product and market prices. The payment term is 60 days after the end of the transaction month.

ii) Payables to related parties

Trade Payables

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

	September 30, 2014	December 31, 2013	September 30, 2013
Corporate director	\$ 210,331	221	-

(d) Key management personnel compensation

Key management personnel compensation comprised:

	Three months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2014
Short-term employee benefits	\$ 6,272	8,765	34,243	34,773
Post-employment benefits	219	266	757	835
	<u>\$ 6,491</u>	<u>9,031</u>	<u>35,000</u>	<u>35,608</u>

8. Assets pledged as collateral or for security

The carrying values of pledged assets were as follows:

Pledged Assets	Object	September 30, 2014	December 31, 2012	September 30, 2013
Property, plant and equipment	Guarantee for borrowings	\$ 18,168,374	19,467,379	19,636,019
Accounts Receivable	Guarantee for borrowings	1,005,610	-	-
Prepayments for lease	Guarantee for borrowings	645,999	649,118	682,601
Investment properties	Guarantee for borrowings	230,282	222,109	216,789
Mortgaged time deposits (classified under other financial assets)	Guarantee for purchasing materials and researching	6,084	119,220	94,083
Restricted deposits (classified under other financial assets)	Guarantee for borrowings	-	122,220	-
Prepayments for equipment	Guarantee for borrowings	-	-	35,420
Inventory	Guarantee for borrowings	-	-	12,688
		<u>\$ 20,056,349</u>	<u>20,580,046</u>	<u>20,677,600</u>

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WINTEK CORPORATION

Notes to Financial Statements

9. Significant contingent liabilities and unrecognized contractual commitments

(a) As of September 30, 2014, December 31, 2013, and September 30, 2012, the unused letters of credit for the purchases of raw materials and machinery, and equipment, amounted to \$294,201 thousand, \$418,229 thousand and \$1,198,851 thousand, respectively.

(b) Unrecognized commitments were as follows:

	September 30, 2014	December 31, 2013	September 30, 2012
Acquisition of property, plant and equipment	\$ <u>3,939,118</u>	<u>4,401,386</u>	<u>502,912</u>

(c) Under sales agreements, which expire 2014 and 2020, the Group should pay royalty fees at a percentage of the net sales of certain products or at a fixed amount. For the nine months ended September 30 2014 and 2013, the royalty expenses were \$78,176 thousand and \$84,636 thousand, respectively.

10. Major Casualty Losses: None.

11. Significant Subsequent Events: None.

12. Other information

(a) Employee benefits, depreciation and amortization expenses

By function By item	July to September, 2014			July to September, 2013		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	2,351,270	400,434	2,751,704	1,381,598	294,240	1,675,838
Labor and health insurance	81,650	18,725	100,375	86,073	20,162	106,235
Pension	98,884	16,158	115,042	99,782	14,939	114,721
Others	739,832	2,358	761,190	680,473	38,513	718,986
Depreciation	1,179,575	75,242	1,254,817	1,166,155	75,351	1,241,506
Amortization	1,274	6,706	7,980	1,568	6,071	7,639

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WINTEK CORPORATION

Notes to Financial Statements

By function By item	January to September, 2014			January to September, 2013		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	5,107,687	965,029	6,072,716	4,844,448	868,957	5,713,405
Labor and health insurance	251,412	58,723	310,315	249,758	55,944	305,702
Pension	286,348	45,190	331,538	312,969	44,697	357,666
Others	2,209,876	88,333	2,298,209	2,589,356	172,223	2,761,579
Depreciation	3,535,792	223,603	3,759,375	6,075,012	277,136	6,352,148
Amortization	4,102	18,848	22,950	4,594	13,432	18,026

(b) Reclassification

There were certain subjects and amounts in the consolidated financial report in September 30, 2013 that was reclassified for them to be consistent with the consolidated financial report in September 30, 2014. These reclassified subjects and amounts did not have any significant impact on the consolidated financial report in September 30, 2013.

(c) Assumption of the Company's ability to continue as a going concern and schedule of the reorganization

As of September 30, 2014, the Group's accumulated deficit was \$18,670,714 thousand, and the consolidated current assets were \$23,326,974 thousand, which were less than the consolidated current liabilities amounting to \$43,999,534 thousand. The Corporation has issues on liquidity risk. There were substantial doubts about the Corporation's ability to continue as a going concern. However, the consolidated financial statements in September 30, 2014 did not include any adjustments that might result to the extent that the Corporation may not be able to continue as a going concern.

Under the stringent conditions, as well as the overexpansion of the touch panel industry, the Corporation failed to optimize its capital expenditure, which resulted in an overproduction of its merchandise. Therefore, its credit status from the bank was greatly affected to the extent that it had weakened its ability to repay its long-term and short-term loans and their respective interests, as well as its accounts payable. To remedy this situation, the Corporation applied to the Taiwan Taichung District Court for reorganization and emergency preservation of its property on October 13, 2014. The Taiwan Taichung District Court rendered a ruling to approve the reorganization, with the case number-2014, Serial No. 2, on April 27, 2015. At the time of the ruling for the reorganization, the Court selected and appointed the reorganizers and the reorganization supervisors of the Corporation to take charge of the operation of the business.

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WINTEK CORPORATION**Notes to Financial Statements**

In addition, Taiwan Taichung District Court rendered that the period for declaring rights of the creditors and shareholders was from May 7, 2014 to May 26, 2014 before 5pm. If the creditors and the unregistered shareholders failed to declared their rights, in which the Taiwan Taichung District Court had already examined on June 5, 2014, they would no longer be able to exercise them according to the reorganization procedures

However, on June 12, 2015, Taiwan Taichung District Court reversed its ruling which granted Wintek's motion for reorganization, with the case number-2015, Serial No. 1. As a result of that, Wintek filed for an interlocutory appeal against the above-said ruling on July 2, 2015, which had caused the Taiwan High Court, Taichung Branch, to have reversed the ruling Serial No.1 with the case number-2015, Serial No. 399, and the decision was that such case would be reviewed by the Taiwan Taichung District Court, which means the status of the granted reorganization is temperately maintained.

On June 30, 2016, Taiwan Taichung District Court remanded to dismiss the appeal, with the case number-2016, Serial No. 1. And on October 5, 2016, Taiwan High Court Taichung Branch Court dismissed the 2nd appeal and granted the reorganization, with the ruling Serial No.1 with the case number-2016, Serial No. 376, which means the status of the granted reorganization is maintained, with the case number-2014, Serial No. 2.

During the first meeting among interested parties held on June 25, 2015, the reorganizers reported on "the current status and findings of the preliminary examination and the declaring rights of the creditors and the shareholders", as well as "the proposal for the reorganization plan". Please search for the website of the Corporation. In addition, the Corporation held a meeting of the creditors on October 23, 2017, March 30 and April 7, 2016, and illustrated the current status of the Corporation and the draft of the reorganization plan during the meetings. The Corporation held a meeting of the creditors about the present situation of the Corporation and the draft for the reorganization plan on March 20, 2018.

The reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. The Corporation proposed the petition of the reorganization plan to Taiwan Taichung District Court on July 13, 2018. The Court recognized and confirmed the reorganization plan on October 15, 2018, and approved it on December 11, 2018. As a result, the possibility of the Corporation's ability to continue as a going concern still depends on whether the reorganization plan can be executed effectively. If the reorganization plan cannot be executed effectively, the Corporation may not realize the assets and pay off the liabilities.

The Corporation's claims include unsecured claims and secured claims. Based on reorganization plan, cash and cash equivalents shall be used to repay the unsecured claims except for the retained portion for operational expenses. Repayment methods for secured claims, the Corporation will dispose mortgaged land and factories other than the aforesaid target assets for capital increase/reduction. The methods of disposal including but not limited to auction. After deducting the necessary fees for auction, the proceeds from disposal of assets shall be used to repay mortgagees without delay. If the funds are not sufficient to cover the mortgaged claims,

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WINTEK CORPORATION

Notes to Financial Statements

then the uncovered claims will be transformed to unsecured reorganization claims. After the first allotment, the Corporation can repay debts with other sources of fund, including but not limited to the proceeds from liquidation of share of domestic and overseas investee companies, receivables, rents, interest, disposal of securities, business transfer (trademark of Otali or Biotechnology and Lighting business), and disposal of un-mortgaged assets (including disposal by domestic and overseas investee companies). The proceeds from asset disposal will be allotted for repayment after deducting the necessary expenses in certain portion.

To retain assets for organizational operations, new investments are needed for debt repayment to complete organizational rehabilitation.

For the Company to solicit new investors successfully and to raise the investment intention of investors, it is necessary to reduce share capital to NT\$1,000 thousand divided into 100 thousand shares at NT\$ 10 per share by means of capital reduction. However, the actual capital after capital reduction is subject to approval of the competent authorities. The Corporation will seek new investors through auctions, and new investors will acquire WINTEK 's shares and related assets through capital increase. The number of new shares shall be capped at the authorized shares minus outstanding shares of the Company. Funds from the subscription of the new shares will be needed for repaying claims in reorganization.

Therefore, such common stocks will be subscribed by the auction bid winners to proceed capital increase. However, the actual amount of capital increase shall be subject to the resolution made by a majority vote of over one-half of the aggregate votes of all reorganizers and reorganization supervisors respectively.

13. Segment Financial Information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments were touch panels and others.

(a) Information about reporting segments

The following was the analysis of the Group's revenue and results by reportable segment:

	For the nine month ended September 30, 2014		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>49,968,653</u>	<u>4,607,486</u>	<u>54,576,139</u>
Total revenue	\$ <u>49,968,653</u>	<u>4,607,486</u>	<u>54,576,139</u>
Reported segment profit and loss	\$ <u>(17,248,203)</u>	<u>(1,590,414)</u>	<u>(18,838,617)</u>

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	For the three month ended September 30, 2013		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>47,745,839</u>	<u>5,387,204</u>	<u>53,133,043</u>
Total revenue	\$ <u>47,745,839</u>	<u>5,387,204</u>	<u>53,133,043</u>
Reported segment profit and loss	\$ <u>(5,220,218)</u>	<u>(589,002)</u>	<u>(5,809,220)</u>