

(English Translation of Financial Report Originally Issued in Chinese)

WINTEK CORPORATION

Financial Statements

December 31, 2014 and 2013(Restated)

(With Independent Auditors' Report Thereon)



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

The joint committee of the reorganizers and reorganization supervisors

Wintek Corporation:

Disclaimer and unqualified opinion

Disclaimer opinion to the statements of comprehensive income, changes in equity and cash flows

We have audited the accompanying balance sheets of Wintek Corporation (the Corporation) and its subsidiaries (the Group) as of December 31, 2014 (restated), and the related statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2014 (restated), and notes to the restated financial statements, including a summary of significant accounting policies.

We expressed disclaimer opinion to the accompanying financial statements. Due to the major influence of the basis of the disclaimer opinion, we do not have sufficient and appropriate audit evidence as the basis of the audit opinion.

Unqualified opinion to the statements of balance sheets

We have audited the restated accompanying balance sheets of Wintek Corporation and subsidiaries as of December 31, 2014 (restated), and notes to the restated financial statements, including a summary of significant accounting policies. In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 (restated), in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of disclaimer and unqualified opinion

Basis of disclaimer opinion to the statements of comprehensive income, changes in equity and cash flows

As stated in Note 4(c), the reorganized financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total comprehensive income (loss) amounting to \$ 15,621,848 thousand, constituting 35.26% of total comprehensive income (loss) for the year then ended December 31, 2014.



Due to the incompleteness of the accounting records, we cannot obtain the sufficient and appropriate audit evidence to the subsidiaries' financial statements in the same period with other audit procedures. We cannot judge if it should adjust the amounts, the statements of changes in equity and cash flows

Basis of unqualified opinion to the statements of balance sheets

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

Material Uncertainty Related to Going Concern

As of December 31, 2014, the Group's accumulated deficit was \$44,142,642 thousand, and the current liabilities were more than the current assets by \$ 26,277,036 thousand. The Corporation has issues on liquidity risk. As stated in Note 12(c), 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. The total liabilities exceeded the total assets by \$16,282,179 thousand and the total liabilities exceeded the total assets by \$16,282,179 thousand.

Other Matter-audit opinion is different from the previous period

Because of material uncertainty related to going concern was not properly disclosed and part of subsidiaries, which were not reviewed by independent auditors, we expressed unqualified opinion to the statements of balance sheets and the disclaimer opinion to the statements of comprehensive income, changes in equity and cash flows on March 18, 2016. As stated in Note 12(c), 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. The Group restated the financial statements as of December 31, 2014. As a result, the reviewed report that we expressed in the financial statements as of December 31, 2014 is renewed and is different from the report as of December 31, 2013.

Other Matter-mention the review of other auditors

We did not audit the financial statements of Wintek Electro-Optics Corporation and Wintek (Central Europe) GmbH; and our opinion on the amounts presented in the financial statements of Wintek Electro-Optics Corporation and Wintek (Central Europe) GmbH was based on the reports of other Certified Public Accountants. The total assets of Wintek Electro-Optics Corporation and Wintek (Central Europe) GmbH constituted 0.97% of the total assets as of December 31, 2014 ,and the net operating revenues of Wintek Electro-Optics Corporation and Wintek (Central Europe) GmbH constituted 0.004% of the net operating revenues for the year ended December 31, 2014 .

We did not audit the financial statements of the Corporation for 2013, and our opinion on the amounts presented in the financial statements partial subsidiaries of the Corporation was based on the reports of other Certified Public Accountants.



Other Matter- Parent Company Only Financial

The Corporation has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2014, on which we have issued statement of comprehensive income, changes in equity and cash flows for disclaimer opinion; balance sheets for an unqualified opinion with Material Uncertainty Related to Going Concern, Other Matter and Emphasis of Matter.

Emphasis of Matter

We draw attention to Note 4 of the 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 financial statements as of 2013 have been restated. The 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Auditors' Responsibilities for the Audit of the Restated Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows as of December 31, 2014

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China, and the issued the auditors' report.

However, due to the significant impact of the events described in the basis of the inability to express opinions, we are unable to obtain sufficient and appropriate audit evidence to verify the statements of comprehensive income, statements of changes in equity and statements of cash flows as of December 31, 2014 (restated).

We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



Auditors' Responsibilities for the Audit of the Restated Statements of Balance Sheets as of December 31, 2014

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

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

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



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

The engagement partners on the audit resulting in this independent auditors' review report are Mei, Yuan-Chen and Kuo, Shyhhuar.

KPMG

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

Balance Sheets

**As of December 31, 2014 and 2013(Restated)
(expressed in thousands of New Taiwan dollars)**

Assets	December 31,2014 (Restated)		December 31, 2013 (Restated)		January 1, 2013 (Restated)		Liabilities and Stockholders' Equity	December 31,2014 (Restated)		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents (Notes 6(a))	\$ 1,803,500	6	1,774,064	3	2,619,478	4	Short-term borrowings (Notes 6(g))	\$ 2,618,783	9	4,932,499	8	5,471,286	7
Financial assets at fair value through profit or loss - current (Note 6(b))	17,322	-	114,524	-	380	-	Short-term bills payable	-	-	-	-	149,840	-
Available-for-sale financial assets - current (Note 6(b))	168,645	1	209,621	-	261,493	-	Financial liabilities at fair value through profit or loss - current (Notes 6(b))	5,503	-	12,340	-	37,134	-
Notes receivable, net (Notes 6(c))	227	-	1000	-	618	-	Notes payable	19,267	-	10,198	-	13,936	-
Accounts receivables, net (Notes 6(c))	3,662,173	14	11,363,398	18	13,275,049	18	Accounts payables	11,021,433	40	11,156,735	18	9,747,214	13
Accounts receivables - related parties, net (Note 7)	9,041,044	33	16,751	-	122,507	-	Accounts payables – related (Notes 7)	17,797,735	64	9,779,175	16	11,220,073	15
Other receivables(Note 6(c))	13,661	-	558,922	1	444,895	1	Other payables	2,937,662	11	3,257,757	5	3,397,082	5
Other receivables- related parties, net (Note 7)	1,376,042	5	952,050	2	3,091,526	4	Other payables – related (Notes 7)	2,884,879	10	2,918,528	5	1,362,233	2
Inventories (Notes 6(d))	42,118	-	7,547,188	12	9,153,700	12	Current portion of long-term borrowings (Notes 6(g)&8)	3,258,399	12	2,157,176	3	2,307,494	3
Other current assets	46,501	-	343,497	1	797,636	1	Other current liabilities	262,876	1	223,394	-	183,152	-
Other financial assets - current (Notes 6(b)&8)	40,000	-	105,831	-	15,884	-		<u>40,806,537</u>	<u>147</u>	<u>34,447,802</u>	<u>55</u>	<u>33,889,444</u>	<u>45</u>
	<u>16,211,233</u>	<u>59</u>	<u>22,986,846</u>	<u>37</u>	<u>29,783,166</u>	<u>40</u>	Non-current liabilities:						
Non-current assets:							Long-term borrowings (Notes 6(g)&8)	-	-	2,306,970	4	6,319,085	8
Non-current financial assets at cost (Note 6(b))	17,519	-	104,261	-	104,261	-	Deferred tax liabilities (Note 6(i))	-	-	17,371	-	19,938	-
Investments accounted for using equity method (Notes 6(e))	5,619,753	20	26,337,435	42	28,559,590	38	Investments accounted for using the equity method-credit (Note 6(e))	3,198,295	11	12,921	-	-	-
Property, plant and equipment (Notes 6(f)&7&8)	5,432,025	19	12,108,052	19	15,267,090	20	Other non-current liabilities	98,136	-	356	-	405	-
Computer software	-	-	35,440	-	30,013	-		<u>3,296,431</u>	<u>11</u>	<u>2,337,618</u>	<u>4</u>	<u>6,339,428</u>	<u>8</u>
Deferred tax assets (Notes 6(i))	-	-	1,057,864	2	956,699	1	Total liabilities	<u>44,102,968</u>	<u>158</u>	<u>36,785,420</u>	<u>59</u>	<u>40,228,872</u>	<u>53</u>
Prepayments for equipment	-	-	122,150	-	335,642	1	Stockholders' equity attributable to parent (Note 6(i)(j)(k)):						
Other financial assets – non-current (Notes 6(b)&8)	365,144	1	149,025	-	-	-	Common stock	20,477,784	73	18,477,784	29	18,477,784	25
Other non-current assets (Note 6(h))	243,416	1	69,529	-	68,981	-	Capital surplus	6,807,615	24	15,604,397	25	18,482,836	25
	<u>11,677,756</u>	<u>41</u>	<u>39,983,756</u>	<u>63</u>	<u>45,322,276</u>	<u>60</u>	Accumulated deficits	(44,142,642)	(158)	(8,555,901)	(14)	(1,181,022)	(2)
							Other stockholders' equity						
							Exchange differences on translating foreign operations	449,505	2	288,462	-	(1,039,918)	(1)
							Unrealized gain on available-for-sale financial assets	193,860	1	370,440	1	136,890	-
								<u>643,365</u>	<u>3</u>	<u>658,902</u>	<u>1</u>	<u>(903,028)</u>	<u>(1)</u>
							Total stockholders' equity	<u>(16,213,878)</u>	<u>(58)</u>	<u>26,185,182</u>	<u>41</u>	<u>34,876,570</u>	<u>47</u>
Total assets	\$ <u>27,889,090</u>	<u>100</u>	<u>62,970,602</u>	<u>100</u>	<u>75,105,442</u>	<u>100</u>	Total liabilities and stockholders' equity	\$ <u>27,889,090</u>	<u>100</u>	<u>62,970,602</u>	<u>100</u>	<u>75,105,442</u>	<u>100</u>

See accompanying notes to financial statements.

WINTEK CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013(Restated)
(expressed in thousands of New Taiwan dollars)

	2014 (Restated)		2013 (Restated)	
	Amount	%	Amount	%
Sales revenue (Note 7)	\$ 63,170,529	100	76,371,042	100
Cost of goods sold (Note 6(d)(f)(h)&7)	<u>67,603,388</u>	<u>107</u>	<u>78,404,830</u>	<u>103</u>
Gross Loss	<u>(4,432,859)</u>	<u>(7)</u>	<u>(2,033,788)</u>	<u>(3)</u>
Unrealized gain or transactions with subsidiaries	<u>(57,889)</u>	<u>-</u>	<u>9,320</u>	<u>-</u>
Realized gross loss(profit)	<u>(4,374,970)</u>	<u>12</u>	<u>(2,043,108)</u>	<u>4</u>
Operating expense (Note 6(c)(h)&7&9) :				
Selling	6,185,728	9	434,246	1
Administrative	627,475	1	603,271	1
Research and development	<u>1,146,549</u>	<u>2</u>	<u>1,251,429</u>	<u>2</u>
	<u>7,959,752</u>	<u>12</u>	<u>2,288,946</u>	<u>4</u>
Other income and expense (Note 6(f))	<u>(5,664,569)</u>	<u>(9)</u>	<u>(832,352)</u>	<u>(1)</u>
Loss From Operating	<u>(17,999,291)</u>	<u>(28)</u>	<u>(5,164,406)</u>	<u>(8)</u>
Non-operating income and expenses:				
Finance expense (Note 6(f))	(287,165)	-	(315,175)	-
Share of loss of subsidiaries (Note 6(e))	(24,393,583)	(39)	(5,098,238)	(7)
Other income (Note 6(m))	615,438	1	231,932	-
Foreign exchange (Loss) gains	(859,421)	(1)	15,132	-
Gains on financial assets (liabilities) measured at fair value through profit (loss)	244,306	-	186,912	-
Other loss	<u>(569,359)</u>	<u>-</u>	<u>(204,468)</u>	<u>-</u>
	<u>(25,249,784)</u>	<u>(40)</u>	<u>(5,183,905)</u>	<u>(7)</u>
Income before income tax	(43,249,075)	(68)	(10,348,311)	(15)
Income tax expense (Note 6(i))	<u>1,040,753</u>	<u>2</u>	<u>(102,898)</u>	<u>-</u>
Consolidated net income	<u>(44,289,828)</u>	<u>(70)</u>	<u>(10,245,413)</u>	<u>(15)</u>
Other comprehensive income (Note 6(f)) :				
Exchange differences on translation of foreign subsidiaries, before income tax	161,043	-	1,328,380	2
Other comprehensive income, before tax, available-for-sale financial assets	(16,716)	-	(29,137)	-
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	(3,837)	-	(8,105)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(159,864)	-	262,887	-
Less: Income tax relating to components of other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income, net of tax	<u>(19,374)</u>	<u>-</u>	<u>1,554,025</u>	<u>2</u>
Comprehensive income	<u>\$ (44,309,202)</u>	<u>(70)</u>	<u>(8,691,388)</u>	<u>(13)</u>
Basic earnings per common share (expressed in New Taiwan dollars)(Note 6(l))	<u>\$ (22.74)</u>		<u>(5.55)</u>	

See accompanying notes to financial statements.

WINTEK CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars)

	Ordinary shares	Capital surplus	Accumulated deficit	Other equity interest Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for- sale financial assets	Total equity
Balance on January 1, 2013(Restated)	\$ 18,477,784	18,482,836	(1,323,142)	(1,039,918)	136,890	34,734,450
Effects of retrospective application and retrospective restatement.	-	-	14,120	-	-	14,120
Equity at beginning of period after adjustments	18,477,784	18,482,836	(1,181,022)	(1,039,918)	136,890	34,876,570
Capital surplus used to offset accumulated deficits	-	(2,878,439)	2,878,439	-	-	-
Loss for the year ended December 31, 2013	-	-	(10,245,413)	-	-	(10,245,413)
Other comprehensive income	-	-	(7,905)	1,328,380	233,550	1,554,025
Comprehensive income	-	-	(10,253,318)	1,328,380	233,550	(8,691,388)
Balance on December 31, 2013(Restated)	18,477,784	15,604,397	(8,555,901)	288,462	370,440	26,185,182
Issue of capital stock for GDRs	2,000,000	(89,858)	-	-	-	1,910,142
Capital surplus used to offset accumulated deficits	-	(8,706,924)	8,706,924	-	-	-
Profit for the year ended December 31, 2014	-	-	(44,289,828)	-	-	(44,289,828)
Other comprehensive income	-	-	(3,837)	161,043	(176,580)	(19,374)
Comprehensive income	-	-	(44,293,665)	161,043	(176,580)	(44,309,202)
Balance on December 31, 2014(Restated)	<u>\$ 20,477,784</u>	<u>6,807,615</u>	<u>(44,142,642)</u>	<u>449,505</u>	<u>193,860</u>	<u>(16,213,878)</u>

See accompanying notes to financial statements.

WINTEK CORPORATION

Statements of Cash Flows

For the years ended December 31, 2014 and 2013(Restated)
(expressed in thousands of New Taiwan dollars)

	For the year ended December 31	
	2014(Restated)	2013(Restated)
Cash flows from operating activities:		
Income before income tax	\$ (43,249,075)	(10,348,311)
Adjustments:		
Adjustments for the non-cash effects of items of incomes and expenses:		
Depreciation expense	1,155,148	2,685,508
Amortization expense	22,517	17,619
Increase in allowances for uncollectible accounts	5,691,714	-
Net gain on financial assets or liabilities at fair value through profit	(244,306)	(186,912)
Interest expense	287,165	315,175
Interest income	(1,724)	(3,854)
Dividends income	(6,939)	(19,938)
Share of loss of subsidiaries accounted for using equity method	24,393,583	5,098,238
Loss (gain) on disposal of property, plant and equipment	(43,698)	4,072
Gains on disposal of investments	(66,233)	(25,288)
Impairment loss on non-financial assets	471,272	-
Impairment loss on property, plant and equipment	5,664,569	832,352
Unrealized gain on the transactions with subsidiaries	-	9,320
Realized gain on the transactions with subsidiaries	(329,348)	(71,388)
Net loss on foreign currency exchange	665,470	70,575
Other	80,960	-
Total adjustments for the non-cash effects of items of incomes and expenses	<u>37,740,150</u>	<u>8,725,479</u>
Net change in operating assets and liabilities:		
Net change in operating assets:		
Decrease in Financial instruments held for trading	378,963	47,974
Decrease(increase) in notes receivable	773	(382)
Decrease(increase) in accounts receivable	(5,327,308)	2,151,842
Decrease in other receivable	63,377	2,028,280
Decrease in inventories	7,505,070	1,606,512
Decrease in other current assets	131,463	467,866
Increase in other financial assets	(365,144)	(14,086)
Total net change in operating assets	<u>2,387,194</u>	<u>6,288,006</u>
Net change in operating liabilities:		
Decrease in Financial instruments held for trading	(44,292)	-
Increase (Decrease)in notes payable	9,069	(3,738)
Increase (Decrease) in accounts payable	5,670,831	(145,480)
Increase (Decrease)in other payable	(507,130)	1,494,734
Increase in product warranty obligations	17,000	-
Increase in other current liabilities	26,749	40,814
Total net change in operating liabilities	<u>5,172,227</u>	<u>1,386,330</u>
Total net change in operating assets and liabilities	<u>7,559,421</u>	<u>7,674,336</u>
Total adjustments	<u>45,299,571</u>	<u>16,399,815</u>
Cash inflows from operating activities	2,050,496	6,051,504
Interest received	1,471	3,953
Interest paid	(174,276)	(311,246)
Income taxes paid	(328)	(1,254)
Net cash provided by operating activities	<u>1,877,363</u>	<u>5,742,957</u>
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(1,017)	(20,000)
Proceeds of the disposal of available-for-sale financial assets	124,108	68,023
Acquisition of financial assets at cost	(14,554)	-
Proceeds of the disposal of financial assets at cost	25,941	-
Proceeds of capital reduction of financial assets at cost	31,172	-
Acquisition of investments accounted for using equity method	(160,000)	-
Acquisition of property, plant and equipment	(123,025)	(479,568)
Proceeds of the disposal of property, plant and equipment	51,916	116,675
Decrease in refundable deposits	15,001	4,445
Acquisition of intangible assets	(13,015)	(23,047)
Decrease (increase) in other financial assets	213,897	(238,867)
Increase in other non-current assets	(188,888)	(13,097)
Decrease (increase)in prepayments for business facilities	(104,316)	113,392
Dividends received	6,939	19,938
Net cash used in investing activities	<u>(135,841)</u>	<u>(452,106)</u>
Cash flows from financing activities		
Repayments short-term borrowings	(2,416,301)	(614,115)
Repayment of short-term bills payable	-	(149,840)
Proceeds from long-term borrowings	44,503	356,086
Repayments of long-term borrowings	(1,250,250)	(4,518,519)
Refund of guarantee deposits received	(180)	(50)
Issuance of capital stock for GDRs	1,910,142	-
Acquisition of ownership interests in subsidiaries	-	(1,209,827)
Net cash used in financing activities	<u>(1,712,086)</u>	<u>(6,136,265)</u>
Net increase in cash and cash equivalents	<u>29,436</u>	<u>(845,414)</u>
Cash and cash equivalents, beginning of period	<u>1,774,064</u>	<u>2,619,478</u>
Cash and cash equivalents, end of period	<u>\$ 1,803,500</u>	<u>1,774,064</u>

See accompanying notes to financial statements.

WINTEK CORPORATION

Notes to Financial Statements

December 31, 2014 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 was listed on the Taiwan Stock Exchange (TSE) on December 19, 1998. However, it had been terminated on July 7, 2015.

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 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 Law 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 Law 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 temporarily maintained.

2. Approval Date and Procedures of the Financial Statements

The financial statements were approved by the joint committee of the reorganizers and the reorganization supervisors on March 18, 2016.

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

3. New Standards and Interpretations Adopted

- (a) International Financial Reporting Standards 2013 endorsed by the Financial Supervisory Commission, R.O.C., but not yet in effect

In accordance with Ruling No. 1030010325 issued by the Financial Supervisory Commission (“FSC”) on April 3, 2014, companies listed for trading on the stock exchange or over-the-counter market or for registration as emerging stock should adopt the IFRS 2013 (excluding IFRS 9 Financial Instruments) endorsed by the FSC beginning in 2015. The new standards and amendments which were announced by the International Accounting Standards Board (“IASB”) are as follows:

Accounting standards, amendments and interpretations	Effective date per IASB
Amendments to IFRS 1, <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	July 1, 2010
Amendments to IFRS 1, <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	July 1, 2011
Amendments to IFRS 1, <i>Government Loans</i>	January 1, 2013
Amendments to IFRS 7, <i>Disclosures-Transfers of Financial Assets</i>	July 1, 2011
Amendments to IFRS 7, <i>Disclosures-Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013
IFRS 10, <i>Consolidated Financial Statements</i>	January 1, 2013 (subsidiaries effect on 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
Amendments to IAS 1, <i>Presentation of Items of Other Comprehensive Income</i>	July 1, 2012
Amendments to IAS 12, <i>Deferred Tax: Recovery of Underlying Assets</i>	January 1, 2012
Amendments to IAS 19, <i>Employee Benefits</i>	January 1, 2013
Amendments to IAS 27, <i>Separate Financial Statements</i>	January 1, 2013
Amendments to 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

Based on the Corporation’s assessment, the adoption of IFRS 2013 version has no significant effect on these consolidated financial statements except for the following items:

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

i) IAS 1, *Presentation of Financial Statements*

The primary amendment of IAS 1 was requiring profit or loss and other comprehensive income to be presented together, requiring entities to Corporation items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, and requiring tax associated with items presented before tax to be shown separately for each of the two Companies of other comprehensive income items. The Corporation will follow the amendment of IAS 1 to present the comprehensive income statement.

ii) IFRS 13, *Fair Value Measurement*

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. After assessing the standard, the Company does not expect any significant influence on financial condition and performance, and will follow IFRS 13 to additionally disclose the information on measurement of fair value.

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

A summary of the new standards and amendments issued by the IASB but not yet included in the IFRS 2013 endorsed by the FSC:

Accounting standards, amendments and interpretations	Effective date per IASB
IFRS 9, <i>Financial Instruments</i>	January 1, 2018
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	IASB to decide
Amendments to IFRS 10, IFRS 12 and IAS 28, <i>Investment Entities Applying the Consolidation Exception</i>	January 1, 2016
Amendments to IFRS 11, <i>Joint Arrangement</i>	January 1, 2016
IFRS 14, <i>Regulatory Deferral Accounts</i>	January 1, 2016
IFRS 15, <i>Revenue from Contracts with Customers</i>	January 1, 2018
Amendments to IAS 1, <i>Disclosure Initiative</i>	January 1, 2016
Amendments to IAS 16 and IAS 38, <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	January 1, 2016
Amendments to IAS 16 and IAS 41, <i>Agriculture: Bearer Plants</i>	January 1, 2016
Amendments to IAS 19, <i>Defined Benefit Plans-Employee Contributions</i>	July 1, 2014
Amendments to IAS 27, <i>Separate Financial Statements</i>	January 1, 2016
Amendments to IAS 36, <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	January 1, 2014
Amendments to IAS 39, <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	January 1, 2014
IFRIC 21, <i>Levies</i>	January 1, 2014

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

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

4. Significant Accounting Policies

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

The financial statements have been translated into English. The translated information is consistent with the Chinese language financial statements from which it is derived.

(a) Statement of compliance

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

(b) Basis of preparation

i) Basis of measurement

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

- 1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value;
- 3) Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- 4) Inventories are measured at the lower of cost and net realizable value;
- 5) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation.

ii) Functional and presentation currency

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

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

(c) Foreign currency

i) Foreign currency transactions

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

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

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

ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Corporation's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Corporation's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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

An entity shall classify an asset as current when:

- i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- ii) It holds the asset primarily for the purpose of trading;
- iii) It expects to realize the asset within twelve months after the reporting period; or
- iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- i) It expects to settle the liability in its normal operating cycle;
- ii) It holds the liability primarily for the purpose of trading;
- iii) The liability is due to be settled within twelve months after the reporting period; or
- iv) 4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents

(f) Financial instruments

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

i) Financial assets

The Corporation classifies financial assets into the following categories: financial assets at fair value through profit or loss, receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

Financial assets (liabilities) are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Corporation, except for those designated as effective hedging derivative instruments, are classified into this category.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Available-for-sales financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income are recognized in other comprehensive income and accumulated under unrealized gains (losses) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to non-operating income and expense. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and significant effect, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Corporation receives dividend payment, which is normally the ex-dividend date.

3) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

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

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

5) Derecognition of financial assets

The Corporation derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Corporation transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income or expenses.

The Corporation separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

ii) Financial liabilities and equity instruments

1) Financial liabilities measured at fair value through profit or loss

This type of financial liabilities is classified as held-for-trading financial liabilities or financial liabilities designated as at fair value through profit or loss.

These liabilities are recognized initially at fair value, with transaction costs taken directly to the income statement, and are subsequently re-measured at fair value. Gains and losses from changes in the fair value of such liabilities (including interest expenses) are reported in profit or loss of financial assets and liabilities measured at fair value through profit or loss in the comprehensive income statement.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expense.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

3) Derecognition of financial assets

The Corporation derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Corporation presents financial assets and liabilities on a net basis when the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

The cost of inventories is based on weighted average costing principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. At each period-end, inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Corporation's share of the profit or loss and other comprehensive income of equity-accounted investees after adjustments to align the accounting policies with those of the Corporation from the date that significant influence commences until the date that significant influence ceases.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

Unrealized profits resulting from the transactions between the Corporation and an associate are eliminated to the extent of the Corporation's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Corporation's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

(i) Investment in subsidiaries

When preparing the financial statements, the Corporation uses the equity method for its subsidiaries. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the parent in the parent company only financial statement are equal to those in the consolidated financial statements.

Changes in the Corporation's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

(j) Property, plant and equipment

i) Recognition and measurement

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

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

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

ii) Subsequent cost

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

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

iii) Depreciation

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

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

- 1) Buildings: 15~31 years
- 2) Machinery and equipment: 4~11 years
- 3) Transportation equipment: 3~6 years
- 4) Furniture and fixtures: 4~6 years
- 5) Leasehold improvements: 2~3 years
- 6) Other equipment: 3~4 years

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

(k) Leases

Leases in which the Corporation assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

Other leases are accounted for operating leases and the lease assets are not recognized in the Corporation's non-consolidated balance sheets.

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

(l) Intangible assets

Other intangible assets that are acquired by the Corporation are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Intangible assets of the Corporation are computer software. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives (3 years) of intangible assets from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(m) Impairment – Non-derivative financial assets

The Corporation assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Corporation estimates the recoverable amount of the asset. The Corporation recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Corporation reverses impairment losses recognized in prior periods for assets if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

(n) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Warranties

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

ii) Allowances for sales returns

Allowances for sales returns are estimated based on historical experiences. Such provisions are deducted from sales in the year the products are sold.

(o) Revenue recognition

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(p) Transactions related to inventories after being processed by subsidiaries

The Corporation sells raw materials to its related parties, and the raw materials are manufactured in a processing factory in China and Vietnam. The finished goods are then purchased indirectly or through triangle trade by the Corporation and re-sold to the Corporation's customers. This type of transaction is treated as outsourced manufacturing in the consolidated financial statements in consideration of its economic substance. The sales revenue and costs of goods sold are reduced by the same re-sold proportion. Raw materials sold but not yet produced and re-sold as finished goods at the end of the period are adjusted and reflected as inventories in the Corporation's balance sheet. The insufficient portion of the accounts receivable is recorded as accounts payable and is offset against the mark-up on the inventory purchased from the processing factory in China and Vietnam.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

(q) Employee benefits

i) Defined contribution plans

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

ii) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period. The Corporation recognizes the remeasurements of defined benefit plans in retained earnings.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

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

iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed over the vesting period, and the corresponding increase in equity is recognized. The vesting period is the period during which all the specified vesting conditions of the share-based payment arrangement are to be satisfied. The vesting conditions included service conditions and performance conditions. The evaluation of the transaction does not consider the vesting conditions except market conditions.

The employee stock options of the Company granted before January 1, 2008, are accounted for in accordance with Interpretations (92) Ji-Mi No. 070, 071 and 072 issued by the ARDF and are not required to adopt SFAS No. 39 retrospectively. Service cost for employee stock options granted before that date is recognized using the intrinsic value method, and pro-forma disclosures of net income and earnings per share are still required to be prepared under the fair value method.

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

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

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WINTEK CORPORATION
Notes to Financial Statements

(s) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- iii) Initial recognition of goodwill.

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

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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WINTEK CORPORATION

Notes to Financial Statements

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The 10% surtax on unappropriated earnings is recoded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(t) Earnings per share

The Corporation discloses the Corporation's basic and diluted earnings per share attributable to ordinary shareholders of the Corporation. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Corporation divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Corporation divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(u) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent company only financial statements.

(v) 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 effective 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:

2013.1.1 Balance sheets

	As Originally Stated	Influences	Restated
Investments accounted for using equity method	\$ 28,417,470	142,120	28,559,590
Accumulated deficits	(1,323,142)	142,120	(1,181,022)

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

2013.12.31 Balance sheets

	As Originally Stated	Influences	Restated
Investments accounted for using equity method	\$ 26,182,644	154,791	26,337,435
Accumulated deficits	(8,706,924)	151,023	(8,555,901)
Exchange differences on translation of foreign subsidiaries, before income	284,694	3,768	288,462

Statements of comprehensive income

	2014	As Originally Stated	2013 Influences	Restated
Share of loss of subsidiaries	\$ (3,360)	5,107,141	(8,903)	5,098,238
Basic earnings per common share	-	(5.55)	-	(5.55)

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

The preparation of the consolidated financial statements in conformity with IFRSs 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.

Information about assumptions 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) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Corporation estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value.

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WINTEK CORPORATION
Notes to Financial Statements

(b) Impairment of property, plant and equipment

The impairment of equipment in relation to the production of touch panels and other module are based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to the recognition of additional, or reversal of, impairment losses.

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

The financial statements have been prepared in accordance with the assumption of the Company's ability to continue as a going concern. However, as of December 31, 2014, the Corporation's accumulated deficit was \$44,142,642 thousand; the current liabilities exceeded the current assets by \$24,595,304 thousand; the total liabilities exceeded the total assets by \$16,213,878 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

	December 31, 2014	December 31, 2013
Cash on hand	\$ 302,110	1,183
Checking and demand deposits	1,017,640	1,772,881
Time deposits	<u>483,750</u>	<u>-</u>
	<u>\$ 1,803,500</u>	<u>1,774,064</u>

Refer to Note 6(b) and Note 8 for the pledging of the cash and cash equivalents and its limited conditions.

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

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WINTEK CORPORATION
Notes to Financial Statements

(b) Financial assets and liabilities

	December 31, 2014	December 31, 2013
Current:		
Financial assets at fair value through profit or loss		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ -	111,928
Swap contracts	<u>17,322</u>	<u>2,596</u>
	<u>\$ 17,322</u>	<u>114,524</u>
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Swap contracts	\$ -	2,601
Interest rate swap contracts	<u>5,503</u>	<u>9,739</u>
	<u>\$ 5,503</u>	<u>12,340</u>
Available-for-sale financial assets		
Local investments		
Publicly listed stocks	<u>\$ 168,645</u>	<u>209,621</u>
Other financial assets		
Mortgaged time deposits	\$ 40,000	89,415
Time deposits with original maturities of more than three months	<u>-</u>	<u>16,416</u>
	<u>\$ 40,000</u>	<u>105,831</u>
Non-current:		
Financial assets carried at cost:		
Unlisted stock		
Andes Technology Corporation (“Andes”)	\$ 14,009	-
Kingpak Technology Corporation (“Kingpak”)	-	97,575
Integrated Solutions Technology, Inc. (“Integrated Solutions”)	3,510	3,510
Uniflex Technology Inc. (“Uniflex”)	<u>-</u>	<u>3,176</u>
	<u>\$ 17,519</u>	<u>104,261</u>
Other financial assets		
Restricted deposits	\$ 365,144	119,220
Mortgaged time deposits	<u>-</u>	<u>29,805</u>
	<u>\$ 365,144</u>	<u>149,025</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

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

- 1) At the end of the reporting period, outstanding forward exchange contracts that do not qualify for hedging accounting are as follows:

December 31, 2013			
	Currency	Maturity Date	Notional Amount
Sell/buy	NTD/USD	January 15, 2014 to March 24, 2014	NTD9,389,640/USD319,000

- 2) At the end of the reporting period, outstanding swap contracts that do not qualify for hedging accounting are as follows:

December 31, 2014			
	Currency	Maturity Date	Notional Amount
Sell/buy	NTD/USD	April 21, 2015 to April 23, 2015	NTD 292,612/USD 9,800

December 31, 2013			
	Currency	Maturity Date	Notional Amount
Sell/buy	NTD/USD	March 18, 2014 to July 3, 2014	NTD 534,310/USD 18,000

- 3) At the end of the reporting period, outstanding interest rate swap contracts that do not qualify for hedging accounting are as follows:

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

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

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

- ii) The financial assets carried at cost ,which are held by the Corporation, do not have no active market and the probability for each estimate cannot be reasonably determined; therefore, the Corporation management had determined that the fair value cannot be measured reliably.

Kingpak reduced its capital and returned 50% share capital to the Corporation in June 2014. The Company 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 Corporation reclassified the swapped parts to available-for-sale financial assets. Because of disposal the remaining shares of Kingpak in 2014, The Corporation recognized the loss on disposal of investments amounting to \$2,315 thousand.

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

- iv) Sensitivity analysis – equity market price risk

If security prices had changed and if the analysis is performed on the same basis for both years, assuming that all other variables remain the same, the impact on other comprehensive income would have been as follows:

Security price on the reporting date	2014		2013	
	Other consolidated profit or loss after tax	Net income	Other consolidated profit or loss after tax	Net income
Rise 1%	\$ <u>1,686</u>	<u>98</u>	<u>2,096</u>	<u>848</u>
Drop 1%	\$ <u>(1,686)</u>	<u>(98)</u>	<u>(2,096)</u>	<u>(848)</u>

- (c) Notes and account receivables

	December 31, 2014	December 31, 2013
Notes receivables	\$ 227	1,000
Account receivables	6,969,981	11,386,464
Other receivables	73,299	617,853
Less: allowance for doubtful accounts	<u>(3,367,446)</u>	<u>(81,997)</u>
	<u>\$ 3,676,061</u>	<u>11,923,320</u>

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WINTEK CORPORATION
Notes to Financial Statements

The average payment term for the sale of goods is 45 to 90 days. The Corporation 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 movement in the provision for impairment with respect to notes and accounts receivable during the years 2014 and 2013 was as follows:

	Allowance for doubtful accounts
As of January 1,2014	\$ 81,997
Impairment loss recognized	3,146,684
Effect of movement in exchange rates	<u>138,765</u>
As of December 31	<u>\$ 3,367,446</u>
As of January 1,2013(December 31,2013)	<u>\$ 81,997</u>

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

On account receivables, the Corporation recognized impairment losses of \$8,563 thousand as of December 31, 2014 and 2013. These amounts mainly pertained to trade receivables from customers that were in liquidation. The Corporation 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
December 31,2014					
Ta Chong Bank	US\$ 77,971	US\$ 77,971	US\$ -	2.31-2.90	US\$ -
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\$ 162,104</u>	<u>US\$ -</u>		<u>US\$ -</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2013					
Ta Chong Bank	US\$ 270,210	US\$ 188,340	US\$ 69,590	1.80-2.83	US\$ 90,000
Bank of Taiwan	79,806	23,887	50,327	2.05-2.65	79,000
Land Bank	26,790	26,790	-	-	-
Shanghai Commercial & Savings Bank	16,744	16,744	-	-	-
Ta Chong Bank	27,906	27,906	-	-	-
Yuanta Commercial Bank	16,744	16,744	-	-	-
China Development Industrial Bank	19,534	19,534	-	-	-
Taipei Fubon Bank	26,790	26,790	-	-	-
Industrial Bank of Taiwan	16,744	16,744	-	-	-
Bank of Taiwan	167,438	167,438	-	-	-
E. SUN Commercial Bank	26,790	26,790	-	-	-
Mega International Commercial Bank	16,744	16,744	-	-	-
DBS Bank	19,534	19,534	-	-	-
First Commercial Bank	33,488	33,488	-	-	-
Taishin Bank	541	541	-	-	-
	<u>US\$ 765,803</u>	<u>US\$ 628,014</u>	<u>US\$ 119,917</u>		<u>US\$ 169,000</u>

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 December 31, 2014 and 2013, the Corporation had issued to the banks promissory notes with an aggregate amount of US\$0 thousand and US\$169,000 thousand respectively as collateral.

(d) Inventories

	December 31, 2014	December 31, 2013
Finished goods	\$ 601,993	2,048,599
Less: provision for obsolescence and devaluation	<u>(567,069)</u>	<u>(498,469)</u>
	34,924	1,550,130
Work in process	881,224	5,015,947
Less: provision for obsolescence and devaluation	<u>(877,052)</u>	<u>(784,216)</u>
	4,172	4,231,731
Raw materials and supplies	(970,367)	2,084,071
Less: provision for obsolescence and devaluation	<u>967,345</u>	<u>(318,744)</u>
	3,022	1,765,327
	<u>\$ 42,118</u>	<u>7,547,188</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was \$67,603,388 thousand and \$78,404,830 thousand, respectively.

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WINTEK CORPORATION
Notes to Financial Statements

Due to the dramatic changes in the touch panels industry, the demand growth of touch panels used in notebook was lower than expected, resulting in shorter product life cycles. In 2014 and 2013, the write-down of inventories increased the cost of sales by \$810,037 thousand and \$1,116,811 thousand, respectively.

As of December 31, 2014 and 2013, no inventories of the Corporation were pledged as collateral.

(e) Investments accounted for using equity method

i) The investments accounted for using equity method as at the end of the reporting period are as follows:

1) Subsidiary:

	December 31, 2014	December 31, 2013
Wintek Technology (Cayman) Corporation (Wintek Technology Cayman)	\$ (1,303,130)	11,899,426
Wintek (B.V.I.) Corporation (WintekBVI)	4,780,067	8,574,142
Masstop LLC	(1,848,466)	5,108,418
United Win Investment Corporation (“United Win Investment”)	404,410	238,032
Wintek Electro-Optics Corporation (Wintek Electro-Optics)	70,537	117,860
Mactech Corporation (“Mactech”)		168,023
Wintek (Central Europe) GmbH (Wintek Central Europe)	125,285	132,701
Wintek International Holding (Cayman) Corporation (Wintek International Holding)	(16,257)	98,833
WinPower Optronics Corporation (“WinPower”)	(30,442)	(12,921)
TeleStar Technology Corporation (“TeleStar”)	9,499	-
	<u>2,191,503</u>	<u>26,324,514</u>

2) Associate:

Mactech	<u>229,955</u>	<u>-</u>
Investments accounted for using equity method	\$ <u>5,619,753</u>	<u>26,337,435</u>
Investments accounted for using the equity method-credit	\$ <u>3,198,295</u>	<u>12,921</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

ii) Subsidiary:

Wintek Technology Cayman and Masstop LLC invested 100% of its shares in the following companies in mainland China: a.) United Win (China) Technology Limited b.) Wintek (China) Technology Ltd. c.) Dongguan Masstop Liquid Crystal Display Co., Ltd. , in which Wintek Corporation (“the Corporation”) owns 100% of all of their shares. Due to operating difficulty, these investees in mainland China defaulted on loans. Since the month of October 2014, the primary local creditors of these subsidiaries had applied to the jurisdiction of People's Court for seizure of these subsidiaries' bank deposits and assets in order to collect claims. Under such circumstances, these subsidiaries had no other option but to announce the termination of all the business in China. SuZhou Industrial Park People's Court rendered a ruling to approve the reorganization of United Win (China) Technology Limited. on March 19, 2015. Dongguan Intermediate People's Court also rendered a ruling to approve the reorganization of Wintek (China) Technology Ltd. and Dongguan Masstop Liquid Crystal Display Co., Ltd. on August 13, 2015. Meanwhile, the Corporation applied to the Taiwan Taichung District Court for a reorganization and emergency preservation of its property on October 13, 2014, but could not offer financial aid to these investees. The significant transactions between the Corporation and these subsidiaries had stopped since November, 2014. Because the Corporation was unable to control the operation of these subsidiaries, the Corporation considered that it had lost control over them starting December 1, 2014. Therefore, the carrying amount of these investments was reduced to zero, which means, ceasing to recognize the share of loss of these subsidiaries.

In 2014 and 2013, the Corporation recognized the share of loss of its subsidiaries amounting to \$24,455,334 thousand and \$5,098,238 thousand, respectively. Among these subsidiaries, the financial statements of United Win (China) Technology Limited in 2014 were unaudited. Meanwhile, Wintek (China) Technology Ltd. and Dongguan Masstop Liquid Crystal Display Co., Ltd. did not maintain adequate accounting records to provide sufficient information, such as the integrity of sales and purchase transactions. Therefore, we were not able to use alternative audit procedures to obtain sufficient and appropriate audit evidence. Basing on the financial statements of these subsidiaries, the share of loss of subsidiaries recognized by the Corporation was \$29,090,090 thousand; however, the Corporation considered that it had lost control over these subsidiaries since December 1, 2014. Therefore, the investment accounted for using the equity method-credit was reversed to zero, and recognized a gain on reversal amounting to \$13,468,242 thousand.

The Corporation has invested in “Telestar” in 2014. Therefore, giving the Corporation to gain control over “Telestar”; thus, this investee is deemed as a subsidiary of the Group.

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WINTEK CORPORATION
Notes to Financial Statements

iii) Associate:

For the years ended December 31, 2014 and 2013, the Corporation's shares of the net gain of associates were \$61,751 thousand and \$0 thousand, respectively.

Summary financial information for investments in associates was as follows before being adjusted to the Corporation's proportionate share:

	December 31, 2014	December 31, 2013
Total assets	\$ <u>930,243</u>	<u>-</u>
Total liabilities	\$ <u>506,008</u>	<u>-</u>
	2014	2013
Revenue	\$ <u>861,731</u>	<u>-</u>
Net loss for the period	\$ <u>(377,028)</u>	<u>-</u>

The Corporation had lost control over Mactech in October 2014; thus, the Corporation reclassified it to associate.

As of December 31, 2014 and 2013, the Corporation did not provide any investments accounted for using equity method as collaterals

(f) Property, plant and equipment

During the years 2014 and 2013, the cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	Land	Buildings and construnction	Machinery and equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Cost or deemed cost:									
Balance at 1 January, 2014	\$ 2,776,403	7,064,697	13,737,375	23,449	58,729	15,157	396,577	220,484	24,292,871
Additions	-	56,723	53,729	615	8,151	-	3,807	-	123,025
Reduction	-	-	(70,990)	(1,403)	-	(15,157)	(739)	-	(88,289)
Reclassification	-	220,484	59,427	-	-	-	648	(220,484)	60,075
Balance at December 31, 2014	\$ <u>2,776,403</u>	<u>7,341,904</u>	<u>13,779,541</u>	<u>22,661</u>	<u>66,880</u>	<u>-</u>	<u>400,293</u>	<u>-</u>	<u>24,387,682</u>
Balance at 1 January, 2013	\$ 2,770,253	6,920,159	19,177,601	24,479	67,831	15,157	1,653,437	237,449	30,866,366
Additions	-	51,129	279,493	1,550	3,603	-	61,200	82,594	479,569
Reduction	-	-	(5,719,719)	(2,580)	(12,705)	-	(1,318,060)	-	(7,053,064)
Reclassification	6,150	93,409	-	-	-	-	-	(99,559)	-
Balance at December 31, 2013	\$ <u>2,776,403</u>	<u>7,064,697</u>	<u>13,737,375</u>	<u>23,449</u>	<u>58,729</u>	<u>15,157</u>	<u>396,577</u>	<u>220,484</u>	<u>24,292,871</u>
Accumulated depreciation:									
Balance at 1 January, 2014	\$ -	2,465,210	8,240,004	9,668	35,243	11,442	262,138	-	11,023,705
Depreciation for the year	-	391,604	671,232	3,902	8,403	3,715	76,292	-	1,155,148
Reduction	-	-	(32,515)	(920)	-	(15,157)	(287)	-	(48,879)
Balance at December 31, 2014	\$ <u>-</u>	<u>2,856,814</u>	<u>8,878,721</u>	<u>12,650</u>	<u>43,646</u>	<u>-</u>	<u>338,143</u>	<u>-</u>	<u>12,129,974</u>
Balance at 1 January, 2013	\$ -	2,020,232	11,690,576	8,034	39,226	6,411	1,488,432	-	15,252,911
Depreciation for the year	-	444,978	2,130,805	4,214	8,714	5,031	91,766	-	2,685,508
Reduction	-	-	(5,581,377)	(2,580)	(12,697)	-	(1,318,060)	-	(6,914,714)
Balance at December 31, 2013	\$ <u>-</u>	<u>2,465,210</u>	<u>8,240,004</u>	<u>9,668</u>	<u>35,243</u>	<u>11,442</u>	<u>262,138</u>	<u>-</u>	<u>11,023,705</u>

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Notes to Financial Statements

	Land	Buildings and constrction	Machinery and equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Accumulated impairment:									
Balance at 1 January, 2014	\$ 33,981	4,292	1,122,841	-	-	-	-	-	1,161,114
Impairment for the year	-	2,436,230	3,152,778	8,217	18,654	-	48,690	-	5,664,569
Balance at December 31, 2014	\$ <u>33,981</u>	<u>2,440,522</u>	<u>4,275,619</u>	<u>8,217</u>	<u>18,654</u>	<u>-</u>	<u>48,690</u>	<u>-</u>	<u>6,825,683</u>
Balance at 1 January, 2013	\$ 33,981	4,292	308,092	-	-	-	-	-	346,365
Impairment for the year	-	-	832,352	-	-	-	-	-	832,352
Reduction	-	-	(17,603)	-	-	-	-	-	(17,603)
Balance at December 31, 2013	\$ <u>33,981</u>	<u>4,292</u>	<u>1,122,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161,114</u>
Carrying amount:									
Balance at December 31, 2014	\$ <u>2,742,422</u>	<u>2,044,568</u>	<u>625,201</u>	<u>1,794</u>	<u>4,580</u>	<u>-</u>	<u>13,460</u>	<u>-</u>	<u>5,432,025</u>
Balance at December 31, 2013	\$ <u>2,742,422</u>	<u>4,595,195</u>	<u>4,374,530</u>	<u>13,781</u>	<u>23,486</u>	<u>3,715</u>	<u>134,439</u>	<u>220,484</u>	<u>12,108,052</u>
Balance at January 1, 2013	\$ <u>2,736,272</u>	<u>4,895,635</u>	<u>7,178,933</u>	<u>16,445</u>	<u>28,605</u>	<u>8,746</u>	<u>165,005</u>	<u>237,449</u>	<u>15,267,090</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 various contracts, with the latest expiry in April 2020. The monthly rental is \$233 thousand.

ii) Impairment loss

Under the stringent conditions as well as overexpansion of the touch panel industry, the Corporation significant capital expenditure did not result in efficient resource utilization. From the assessment of its carrying amount and the recoverable amount, the Corporation recognized an impairment loss of \$5,664,569 thousand for year 2013. Change in the production technology and process also resulted in the Corporation recognition in 2013 of impairment losses of \$832,352 thousand based on the carrying amounts of certain old machinery and equipment.

iii) Interest capitalized

Interest capitalized for purchasing property, plant, and equipment for the year ended December 31, 2014 and 2013, amounted to \$2,130 thousand and \$9,533 thousand, respectively. The interest capitalization rates were 2.16%~3.19% and 2.29%~3.23%, respectively.

iv) Pledged as collateral

Please refer to note 8 for disclosures on property, plant and equipment pledged as collateral.

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

(g) Long-term and short-term borrowings

i) Short-term borrowings

	December 31, 2014	December 31, 2013
Unsecured loans	\$ <u>2,618,783</u>	<u>4,932,499</u>
Interest rate (%)		
Unsecured loans	<u>1.47~2.30</u>	<u>1.27~3.59</u>

ii) Long-term borrowings

	Interest rate	December 31, 2014	December 31, 2013
Secured loans	2.10%~2.48%	\$ 3,079,220	4,037,490
Unsecured loans	2.68%	-	60,000
Other loans	1.80%~4.07%	179,179	366,656
Time deposits		<u>(3,258,399)</u>	<u>(2,157,176)</u>
Less: current portion		<u>\$ -</u>	<u>2,306,970</u>

As of December 31, 2014, the Corporation recognized its borrowings default interest and penalty \$21,204 thousand, which was accounted for as the financial costs.

The Corporation entered into a loan agreement amounting to \$6.5 billion in November 2010 with syndicate banks led by Bank of Taiwan. These loans were 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 bank syndicate, sell important assets and royalties, buy back its own shares and reduce its capital during the contract period.

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

To raise working capital, the Corporation entered into a loan agreement with SinoPac Bank. Under the agreement, the Corporation should maintain certain current, debt-to-equity and interest coverage ratios based on the Corporation's annual condensed consolidated financial statements during the contract term.

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

As of December 31, 2013, the Corporation could not meet certain terms of the agreements that were primarily related to the consolidated financial ratio of the Corporation. Nevertheless, as of March 4, 2014 (the date of the approval of the issuance date of the financial statement) the syndicate of banks had agreed to waive its right to demand for immediate payment. Thus, the loan had not been classified as current liability as of December 31, 2013.

However, the repayment date of loan was in September, 2014. The Corporation signed an additional agreement with the syndicate banks in September, 2014, and provided movable property and real estate as collateral.

As of December 31, 2014, the Corporation had significant difficulties in paying its long-term borrowings, including the interests. Due to the breach of contracts, all long-term borrowings were reclassified as current portion of long-term borrowings.

(h) Employee benefits

i) Defined benefit plans

The present value of defined benefit obligations and the fair value adjustments of the plan assets for the Corporation were as follows:

	December 31, 2014	December 31, 2013
Unrecognized value of benefit obligations	\$ -	-
Recognized value of benefit obligations	<u>20,095</u>	<u>288,972</u>
Present value of benefit obligations	20,095	288,972
Fair value of plan assets	<u>(224,430)</u>	<u>(303,333)</u>
Recognized assets for defined benefit obligations	<u>\$ (204,335)</u>	<u>(14,361)</u>

1) Composition of plan

The Corporation has defined benefit plans under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by their pension fund monitoring committees. Pension contributions are deposited in the Bank of Taiwan in the committees' names.

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WINTEK CORPORATION
Notes to Financial Statements

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

2) Movements in present value of defined benefit obligations

The movements in the present value of the defined benefit obligations were as follows:

	2014	2013
Defined benefit obligation at January 1	\$ 288,972	279,087
Current service cost	2,313	2,556
Interest cost	5,418	4,535
Amortization of Prior service cost	10,460	-
Actuarial losses	4,695	6,298
Benefit paid	(99,921)	(3,504)
Effect of reducing staff	(191,842)	-
Defined benefit obligation at December 31	<u>\$ 20,095</u>	<u>288,972</u>

3) Movements in fair value of plan assets

The movements in the fair value of the plan assets were as follows:

	2014	2013
Fair value of plan assets at January 1	\$ 303,333	288,419
Expected return on plan asset	6,217	5,551
Actuarial gain(losses)	858	(1,807)
Contribution from the employer	13,943	14,674
Benefit paid	(99,921)	(3,504)
Fair value of plan assets at December 31	<u>\$ 224,430</u>	<u>303,333</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss was as follows:

	2014	2013
Service cost	\$ 12,773	2,556
Interest cost	5,418	4,535
Expected return on plan assets	(6,217)	(5,551)
Benefit of reducing staff	<u>(191,842)</u>	<u>-</u>
	<u>\$ (179,868)</u>	<u>1,540</u>
Cost of goods sold	\$ (129,011)	1,112
Operating expenses	<u>(50,857)</u>	<u>(428)</u>
	<u>\$ (179,868)</u>	<u>1,540</u>

Actuarial gains and losses recognized by the Corporation in other comprehensive income for the years ended December 31, 2014 and 2013 was \$3,837 thousand and \$8,105 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$42,563 thousand and \$38,726 thousand, respectively.

5) Actuarial assumptions

Principal actuarial assumptions used by the Corporation for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Discount rate	1.625%	1.875%
Expected rate of return on plan assets	2.00%	2.00%
Future salary growth	2.75%	3.00%

The assumption of expected return on plan assets is based on the portfolio other than the sum of returns on individual investment. The expected return rate was based on historical return trends without adjustment.

6) Experience adjustments based on historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Experience adjustments on plan liabilities	\$ <u>28,563</u>	<u>(16,385)</u>	<u>(27,762)</u>	<u>-</u>
Experience adjustments on plan assets	\$ <u>858</u>	<u>(1,807)</u>	<u>(2,895)</u>	<u>-</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

The Corporation expects to make contributions of \$230 thousand to the defined benefit plans during the annual periods beginning after 2014, respectively.

ii) Defined contribution plans

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

The Corporation's pension costs under the defined contribution method were \$137,993 thousand and \$161,403 thousand for 2014 and 2013, respectively. Payment was made to the Bureau of Labor Insurance.

(i) Income taxes

i) Income tax expense

1) The major components of tax expense (benefit) were as follows:

	2014	2013
Current tax expense		
Recognized during the period	\$ 260	834
Deferred tax expense		
Recognition and reversal of temporary differences	<u>1,040,493</u>	<u>(103,732)</u>
Income tax expense	<u>\$ 1,040,753</u>	<u>(102,898)</u>

2) No income tax was recognized directly in equity for the years ended December 31, 2014 and 2013.

3) The Corporation's reconciliation of income tax and profit before tax for 2014 and 2013 is as follows:

	2014	2013
Loss before tax	\$ <u>(43,249,075)</u>	<u>(10,348,311)</u>
Income tax expense at loss before tax	\$ (7,352,343)	(1,759,213)
Losses from recognition of equity method	4,146,909	866,700
Change in unrecognized temporary difference and others	4,223,256	2,534,811
Under/(Over) provision in prior year	<u>22,931</u>	<u>(1,745,196)</u>
Total	<u>\$ 1,040,753</u>	<u>(102,898)</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Movements in the amount of deferred tax assets and liabilities for 2014 and 2013 were as follows:

Deferred tax assets:

	Inventory obsolescence	Investment using equity method	Impairment loss on property and equipment	Unutilised loss	Others	Total
Balance at January 1, 2014	\$ 272,243	55,986	191,412	446,888	91,335	1,057,864
Recognized in profit or loss	<u>(272,243)</u>	<u>(55,986)</u>	<u>(191,412)</u>	<u>(446,888)</u>	<u>(91,335)</u>	<u>(1,057,864)</u>
Balance at December 31, 2014	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2013	\$ 363,361	66,538	51,569	399,436	75,795	956,699
Recognized in profit or loss	<u>(91,118)</u>	<u>(10,552)</u>	<u>139,843</u>	<u>47,452</u>	<u>15,540</u>	<u>101,165</u>
Balance at December 31, 2013	<u>\$ 9,168</u>	<u>55,986</u>	<u>191,412</u>	<u>446,888</u>	<u>91,335</u>	<u>1,057,864</u>

Deferred tax liabilities:

	Others
Balance on January 1, 2014	\$ (17,371)
Recognized in profit or loss	<u>17,371</u>
Balance on December 31, 2014	<u>\$ -</u>
Balance on January 1, 2013	\$ (19,938)
Recognized in profit or loss	<u>2,567</u>
Balance on December 31, 2013	<u>\$ (17,371)</u>

2) Unrecognized deferred tax assets

As of December 31, 2014 and 2013, the amount of Corporation's unrecognized deferred tax assets causing by unlikely taxable income was \$7,047,753 thousand and \$3,184,497 thousand, respectively.

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WINTEK CORPORATION

Notes to Financial Statements

- iii) The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The Corporation's estimated unused loss carry-forwards were as follows:

Year of loss	Total unused amount	Unused amount	Year of expiry
2008	1,807,515 (approved)	1,266,427	2018
2009	2,434,603 (approved)	2,434,603	2019
2011	753,431 (approved)	753,431	2021
2012	4,479,663 (approved)	4,479,663	2022
2013	4,881,925 (examined)	4,881,925	2023
	\$ <u>14,357,137</u>	<u>13,816,049</u>	

- iv) Imputation credit account and creditable ratio

Beginning from 1998, the corporate income tax paid at the corporate level can be used to offset the resident shareholders' individual income tax. The amount of imputation credit which shareholders can claim depends on the total corporate income tax paid at the corporate level. Beginning in 1998, corporations have been required to set up an imputation credit account ("ICA") to keep track of the corporate income taxes paid and the imputation credit they have allocated for shareholders. In addition, the creditable ratio, which represents the imputation credit per dollar of accumulated retained earnings, shall be calculated for resident shareholders when corporations declare dividends.

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

	December 31, 2014	December 31, 2013
Unappropriated earnings retained after January 1, 1998	\$ <u>(44,142,642)</u>	<u>(8,555,901)</u>
ICA balance	\$ <u>250,523</u>	<u>249,264</u>
	2014 (actual)	2013 (actual)
Creditable ratio for earnings distribution	_____ %	_____ %

- v) 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 from 2013.
- vi) Income tax returns through 2013 had been examined and cleared by the tax authorities.

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WINTEK CORPORATION

Notes to Financial Statements

(j) 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 and the issuance price was US\$1.64 for each unit). The registration procedure related to GDRs had been completed.

As of December 31, 2014 and 2013, the total value of nominal ordinary shares amounted to \$25,000,000 thousand; \$20,477,784 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 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 December 31, 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.

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

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WINTEK CORPORATION
Notes to Financial Statements

As of December 31, 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 6thousand common shares, or 0.0003% of total capital shares issued.

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

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

ii) Capital Surplus

	December 31, 2014	December 31, 2013
Additional paid-in capital	\$ 6,757,584	15,381,964
Treasury share transactions	-	172,402
Gains or losses arising from the acquisition or disposal of subsidiaries	1,235	1,235
Excess by merger	48,478	48,478
Recognize cash capital increase by investment company	<u>318</u>	<u>318</u>
Total	<u>\$ 6,807,615</u>	<u>15,604,397</u>

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.

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WINTEK CORPORATION
Notes to Financial Statements

iv) Special reverse

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

v) Retained Earnings and Dividends Policy

In accordance with the Corporation’s articles of incorporation, if there are earnings at year-end, 10 percent should be set aside as legal reserve. In addition, a special earnings reserve should be set aside or reversed in accordance with SFB regulations after the payment of income tax and the offsetting of accumulated losses from prior years. If there is a balance remaining, Up to 2% as remuneration to directors and supervisors and 15 percent as employees’ bonus. The remaining portion will be combined with earnings from prior years, and the board of directors shall make a distribution proposal to be approved by the shareholders’ meeting. However, certain earnings may be retained depending on business conditions.

Under the Company Law, 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.

For the years ended December 31, 2014 and 2013 the Corporation had no profits; thus, it did not had to estimate bonus to employees and remuneration to directors and supervisors.

The offset of the deficits for 2013 and 2012 were approved at the shareholders’ meeting in May 23, 2014 and May 22, 2013. The offset of deficit were as follows:

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

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

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WINTEK CORPORATION
Notes to Financial Statements

vi) Other equity

	Foreign exchange differences arising from foreign operations	available-for-s ale financial assets	Total
Balance at January 1, 2014	\$ 288,462	370,440	658,902
Foreign exchange differences	161,043	-	161,043
Unrealized gains and losses from available-for-sale financial assets – Associates	-	(176,580)	(176,580)
Balance at December 31, 2014	<u>\$ 449,505</u>	<u>193,860</u>	<u>643,365</u>
Balance at January 1, 2013	\$ (1,039,918)	136,890	(903,028)
Foreign exchange differences	1,328,380	-	1,328,380
Unrealized gains and losses from available for sale financial assets	-	233,550	233,550
Balance at December 31, 2013	<u>\$ (437,302)</u>	<u>370,440</u>	<u>658,902</u>

(k) Share-based payment arrangements

- i) Under a stock option plan, (the “Plan”), the Corporation issued to employees 29,000 units in August 2007. Each unit represents one thousand common shares. Employees eligible to receive the options under the Plan are full-time employees. The options are exercisable two years from the grant dates from the grant date. 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 the Corporation’s 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 appropriately adjusted in accordance with a certain formula.
- ii) Other information on the Corporation’s employee stock options is as follows:

Employee stock options	Units	December 31, 2013 Weighted average exercise price
Balance, beginning of period	4,241	\$ 28.30
Options forfeited	<u>(4,241)</u>	28.30
Balance, end of period	<u>-</u>	-
Options exercisable, end of period	<u>-</u>	-

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

- iii) The compensation cost recognized under the intrinsic value method for the years ended December 31, 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:

	December 31, 2013
Assumptions	
Expected dividend yield	-
Expected volatility	44.06%
Risk-free interest rate	2.28%
Expected life	4 years
Net loss	
Recognized	\$ (10,254,316)
Pro forma	\$ (10,254,316)
Loss per share (NT\$)	
Recognized	\$ (5.55)
Pro forma	\$ (5.55)

(l) Earnings per share

Basic earnings per common share:

	2014	2013
Comprehensive income	\$ <u>(44,289,828)</u>	<u>(10,245,413)</u>
Number of shares(In Thousands)	<u>1,947,778</u>	<u>1,847,778</u>
Basic earnings per common share(NT\$)	\$ <u><u>(22.74)</u></u>	<u><u>(5.55)</u></u>

The employee stock options issued by the Corporation in 2013 were anti-dilutive and excluded from the computation of diluted EPS.

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WINTEK CORPORATION
Notes to Financial Statements

(m) Other income

	2014	2013
Gain on disposal investments	\$ 66,233	25,288
(gain) on disposal of property, plant and equipment	43,698	-
Dividend income	6,939	19,938
Reparation income	2,976	4,087
Interest income	1,724	3,854
Premium income	1,079	4,350
Rental income	908	870
Grants income	-	23,246
Others	491,881	150,299
	<u>\$ 615,438</u>	<u>231,932</u>

(n) Financial Instruments

i) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2014 and 2013, the maximum amount exposed to credit risk amounted to \$16,505,277 thousand, and \$15,349,447 thousand, respectively.

ii) Liquidity risk

Due to financial difficulties, the Corporation was not able to pay its 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) Currency risk

1) Exchange rates of financial assets and liabilities denominated in foreign currencies

	December 31, 2014			December 31, 2013		
	Foreign Currency	Exchange Rate	New Taiwan Dollar	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets						
Monetary items						
USD	\$ 569,999	31.650	18,040,458	846,436	29.81	25,228,030
JPY	1,548	0.265	410	220,631	0.28	62,637
Financial liabilities						
Monetary items						
USD	1,149,208	31.650	36,372,439	1,171,577	29.81	34,918,863
JPY	1,757,883	0.265	465,136	1,521,511	0.28	431,957

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

2) Sensitivity analysis

The Corporation's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account and other receivables, available-for-sale financial assets, borrowings, and account and other payables that are denominated in foreign currency. If other variables were held constant, a 1% of appreciation (depreciation) of the TWD against other currencies as of December 31, 2014 and 2013 would have increased or decreased the net profit after tax by \$187,967 thousand and \$100,602 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.

The following sensitivity analysis is based on the risk exposure to interest rate on the 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 management internally, which also represents management of the Corporation's assessment on the reasonably possible interval of interest rate change.

All other variables were held constant, the interest rate had increased or decreased by 0.1%, the net profit would have increased or decreased by \$5,877 thousand and \$9,397 thousand for the years ended December 31, 2014 and 2013, respectively.

v) Fair value

1) Fair value and carrying value

Apart from the financial assets and liabilities as mentioned above, information of the fair value of the remaining financial assets and liabilities are summarized as follows:

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WINTEK CORPORATION
Notes to Financial Statements

Items	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 1,803,500	1,803,500	1,774,064	1,774,064
Financial assets measured at fair value through profit or loss – current	17,322	17,322	114,524	114,524
Available-for-sale financial assets – current	168,645	168,645	209,621	209,621
Other financial assets – current	40,000	40,000	105,831	105,831
Notes and Accounts receivable (including related parties)	12,703,444	12,703,444	11,381,149	11,381,149
Other receivables (including related parties)	1,389,703	1,389,703	1,510,972	1,510,972
Financial assets carried at cost – non-current	17,519	-	104,261	-
Other financial assets – non-current	365,144	365,144	149,025	149,025
Financial liabilities				
Short-term borrowings	2,618,783	2,618,783	4,932,499	4,932,499
Financial liabilities measured at fair value through profit or loss – current	5,503	5,503	12,340	12,340
Notes and accounts payable (including related parties)	28,838,435	28,838,435	20,946,108	20,946,108
Other payable (including related parties)	5,822,541	5,822,541	6,176,096	6,176,096
Long-term borrowings (long-term borrowings due within one year)	3,258,399	3,258,399	4,464,146	4,464,146

2) Valuation techniques and assumptions used in fair value determination

The Corporation 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.

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WINTEK CORPORATION

Notes to Financial Statements

- 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.
- 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) Except the amount of long-term borrowings which were floating interest rates is regard as fair value, the fair value of other long-term borrowings is estimated by the discounted value of cash flows. The discount rate was based on the interest rate of long-term loans that the Cooperation could obtain.

3) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
Balance as of December 31, 2014				
Financial assets measured at fair value through profit or loss	\$ -	17,322	-	17,322
Available-for-sale financial assets	<u>168,645</u>	<u>-</u>	<u>-</u>	<u>168,645</u>
	\$ <u>168,645</u>	<u>17,322</u>	<u>-</u>	<u>185,967</u>
Financial liabilities measured at fair value through profit or loss	\$ <u>-</u>	<u>(5,503)</u>	<u>-</u>	<u>(5,503)</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

	Level 1	Level 2	Level 3	Total
Balance as of December 31, 2013				
Financial assets measured at fair value through profit or loss	\$ -	114,524	-	114,524
Available-for-sale financial assets	<u>209,621</u>	<u>-</u>	<u>-</u>	<u>168,645</u>
	\$ <u>209,621</u>	<u>114,524</u>	<u>-</u>	<u>324,145</u>
Financial liabilities measured at fair value through profit or loss	<u>\$ -</u>	<u>(12,340)</u>	<u>-</u>	<u>(12,340)</u>

There were no transfers of financial instruments between any levels for the years 2014 and 2013.

(o) Financial risk management

The Corporation's major financial instruments include equity investments, trade receivables, trade payables and borrowing. The Corporation 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 Corporation through internal risk report, 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 Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors.

i) Market risk

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

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

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

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

A) Foreign currency risk

The Corporation has foreign currency sales and purchases, which expose the Corporation to foreign currency risk. Exchange rate exposures are managed within approved policy parameters through forward exchange contracts.

B) Interest rate

The Corporation was exposed to interest rate risk because entities in the Corporation borrow funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings and by using interest rate swap contracts. However, the corporation has been in the stage of reorganization since April 27, 2015. All creditors in reorganization do not have right to execute their credits during reorganization period; therefore, there was no significant interest rate risk.

ii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to the carrying amount of financial assets which were recognized on the balance sheet.

iii) Liquidity risk

As of December 31, 2014, the Corporation's accumulated deficit was \$44,142,642 thousand, and the current liability was \$16,211,233 thousand, which is less than the current liabilities, amounting to \$40,806,537 thousand. The Corporation had pressure on liquidity risk. The Corporation incurred a loss on its total equity amounting to \$16,213,878 thousand, which exceeded half of its shares that were issued.

Due to financial difficulties, the Corporation was not able to pay its 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.

(p) Capital management

The Corporation had set objectives for managing its capital to safeguard its capacity to continue as a going concern so as to reduce its capital cost. However, the Taiwan Taichung District Court rendered a ruling to approve for the Corporation's reorganization on April 27, 2015. In light of this, the Corporation is currently developing and implementing a reorganizational plan to ensure the benefits of its interested parties

(Continued)

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.

(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

(Continued)

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.

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

(c) Significant related party transactions

i) Sale of goods to related parties

The amounts of significant sales transactions between the Corporation and related parties were as follows:

	2014	2013
Subsidiaries		
Wintek Technology H.K.	\$ 1,680,154	-
Wintek China	1,062,557	317,781
Dongguan Masstop	260,561	187,731
United Win China	87,554	302,266
Wintek Electro-Optic	18,329	36,103
DongGuan Innolife	11,325	5,356
Mactech Corporation	409	94
DongGuan Sheng Feng	<u>-</u>	<u>4,265</u>
	3,120,889	853,596
Key management		
Hannstar Display Corporation	<u>-</u>	<u>193</u>
	<u>\$ 3,120,889</u>	<u>853,789</u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was 60~90 days for related parties.

ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Corporation and related parties were as follows:

	2014	2013
Subsidiaries		
WinPower Optronics Corporation	\$ 5,446	2,547
Dongguan Masstop	<u>-</u>	<u>33,636</u>
	5,446	36,183
Key management		
Hannstar Display Corporation	<u>219,594</u>	<u>221</u>
	<u>\$ 225,040</u>	<u>36,404</u>

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

Purchase prices for finished goods and raw materials from related parties were similar to those from third-party suppliers. The payment period was 60~120 days for related parties.

iii) Cost of goods sold— Processing expenses, packing costs and consumables

	2014	2013
Subsidiaries		
Wintek China	\$ 5,253,022	5,133,437
Dongguan Masstop	4,520,912	6,682,141
Wintek Vietnam	1,885,435	2,338,574
United Win China	842,414	3,018,055
Mactech Corporation	5,811	6,527
DongGuan Sheng Feng	-	2,661
	\$ <u>12,507,594</u>	<u>17,181,395</u>

iv) Operating expense-Commission expenses

	2014	2013
Subsidiaries	\$ <u>7,412</u>	<u>11,688</u>

v) Non-operating income –Premium and other income

	2014	2013
Subsidiaries	\$ <u>467,169</u>	<u>117,598</u>

vi) Receivables due from relate parties / Payable to related parties

The receivables / payable arising from the transactions mentioned above of December 31, 2014 and 2013 were as follows :

Since 2014, the Corporation and some investees in china applied for reorganization one after another. Thus, the Corporation has the legally enforceable right to offset such financial assets and liabilities on a net basis.

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WINTEK CORPORATION

Notes to Financial Statements

1) Receivable due from relate parties

A) Accounts Receivables

	December 31, 2014		December 31, 2013	
	Accounts Receivable	Allowance for uncollectible accounts	Accounts Receivable	Accounts Receivable
Wintek Vietnam	\$ 8,677,041	-	8,677,041	-
Dongguan Masstop	2,688,907	(2,688,907)	-	6,428
Wintek Technology H.K.	355,446	-	355,446	-
Wintek Electro-Optic	8,559	-	8,559	4,872
DongGuan Innolife	3,131	(3,131)	-	5,382
DongGuan Sheng Feng	103	(10)	(2)	69
	<u>\$ 11,733,187</u>	<u>(2,692,143)</u>	<u>9,041,044</u>	<u>16,751</u>

B) Other Receivables

	December 31, 2014		December 31, 2013	
	Accounts Receivable	Allowance for uncollectible accounts	Accounts Receivable	Accounts Receivable
Wintek Technology H.K.	\$ 791,100	-	791,100	-
United Win H.K.	239,876	-	239,876	252,216
Wintek Vietnam	185,149	-	185,149	-
Masstop Asia	159,917	-	159,917	-
DongGuan Innolife	45	(45)	-	-
DongGuan Sheng Feng	17	(17)	-	16
Wintek China	-	-	-	689,440
United Win China	-	-	-	10,330
WinPower Optronics	-	-	-	48
	<u>\$ 1,376,104</u>	<u>(62)</u>	<u>1,376,042</u>	<u>952,050</u>

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

2) Payable to related parties

A) Accounts Payable

	December 31, 2014	December 31, 2013
Wintek Vietnam	\$ 10,724,134	2,221,953
United Win China	5,268,656	7,094,142
Wintek China	1,567,799	461,031
Hannstar Display Corporation	231,140	221
WinPower Optronics	6,008	1,828
DongGuan Sheng Feng	(2)	-
	<u>\$ 17,797,735</u>	<u>9,779,175</u>

B) Other Payable

	December 31, 2014	December 31, 2013
Wintek Technology H.K.	\$ 1,147,966	-
United Win Cayman	949,500	-
United Win H.K.	426,009	-
Mactech	225,856	505,778
Wintek Electro-Optic	51,328	5,318
Wintek Samoa	43,336	-
Wintek Central Europe	18,431	-
Huang, Hieng - Hsiung	10,159	-
Wintek India	9,277	-
Wintek Technology Cayman	3,000	-
Hannstar Display Corporation	17	-
Dongguan Masstop	-	2,407,432
	<u>\$ 17,797,735</u>	<u>2,918,528</u>

(Continued)

WINTEK CORPORATION
Notes to Financial Statements

vii) Property transactions

1) Purchase of property, plant and equipment

Purchasing price of property, plant and equipment from related parties were as follow:

	December 31, 2014	December 31, 2013
Mactech.	\$ -	43,075
Wintek Electro-Optic	-	42,938
Wintek India	-	6,608
Wintek China	-	4,378
Dongguan Masstop	-	293
	<u>\$ -</u>	<u>97,292</u>

2) Disposal of property, plant and equipment

Disposal price of property, plant and equipment to related parties were as follow:

	December 31, 2014		December 31, 2013	
	Disposal price	Disposal gins and losses	Disposal price	Disposal gins and losses
Wintek China	\$ 38,673	1,492	113,586	(6,989)
Dongguan Masstop	11,073	9,778	2,927	2,921
Wintek Vietnam	488	203	-	-
United Win China	258	91	-	-
Mactech	-	-	162	10
	<u>\$ 50,492</u>	<u>11,564</u>	<u>116,675</u>	<u>(4,058)</u>

viii) Loans provided

1) Actual borrowing amount that related parties borrowed from the Corporation (classified under other accounts receivable- related parties) were as follow:

	December 31, 2014	December 31, 2013
Wintek Vietnam	\$ <u>41,638</u>	<u>-</u>

The interest rate of loans provided to related parties was 1.54% ◦

(Continued)

WINTEK CORPORATION

Notes to Financial Statements

- 2) Due to operating turnover, the Corporation borrowed funds from related parties; the lists were as follow:

	December 31, 2014		December 31, 2013	
	Amount	Interest rate	Amount	Interest rate
United Win Cayman	\$ 900,450	-	-	-
United Win (H.K.)	389,522	-	-	-
Mactech	60,000	2.41%	-	-
Wintek Technology Cayman	<u>3,000</u>	-	<u>-</u>	-
	\$ <u>1,352,972</u>		<u>-</u>	

- ix) Endorsements / Guarantees given to related parties

Guarantees given to related parties by the cooperation were as follow:

	December 31, 2014	December 31, 2013
United Win H.K.	\$ 2,774,585	3,880,645
Masstop Asia	2,030,117	2,638,485
Dongguan Masstop	1,049,650	149,950
Wintek Vietnam	529,175	529,175
Mactech	<u>-</u>	<u>60,000</u>
	\$ <u>6,383,527</u>	<u>7,258,255</u>

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	2014	2013
Short-term employee benefits	\$ 37,073	77,971
Post-employment benefits	<u>962</u>	<u>1,128</u>
	\$ <u>38,035</u>	<u>79,099</u>

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WINTEK CORPORATION
Notes to Financial Statements

8. Assets pledged as collateral or for security

The carrying values of pledged assets were as follows:

Pledged Assets	Object	December 31, 2014	December 31, 2013
Property, plant and equipment	Guarantee for borrowings	\$ 4,440,858	4,752,613
Mortgaged time deposits (classified under other financial assets)	Guarantee for purchasing materials and researching	40,000	119,220
Restricted deposits (classified under other financial assets)	Guarantee for borrowings	365,144	119,220
		<u>\$ 4,846,002</u>	<u>4,991,053</u>

9. Significant contingent liabilities and unrecognized contractual commitments

(a) As of December 31, 2014 and 2015, unused letters of credit for the purchases of raw materials and machinery and equipment amounted to \$0 thousand and \$418,229 thousand, respectively.

(b) Unrecognized commitments were as follows:

	December 31, 2014	December 31, 2013
Acquisition of property, plant and equipment	\$ <u>-</u>	<u>17,511</u>

(c) Under sales agreements expiring between 2014 and 2020, the Corporation should pay royalty fees at a percentage of net sales of certain products or at a fixed amount. For the years ended December 31 2014 and 2013, royalty expenses were \$59,369 thousand and \$111,231 thousand, respectively.

10. Major Casualty Losses: None.

11. Significant Subsequent Events: None.

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WINTEK CORPORATION
Notes to Financial Statements

12. Other information

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	2014			2013		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	2,689,693	782,754	3,472,447	2,497,915	681,972	3,179,887
Labor and health insurance	195,806	64,251	260,057	240,912	68,496	309,408
Pension	(23,122)	(18,753)	(41,875)	128,949	33,994	162,943
Others	127,456	34,881	162,337	324,616	40,461	365,077
Depreciation	1,008,643	146,505	1,155,148	2,481,417	204,091	2,685,508
Amortization	1,483	21,034	22,517	1,391	16,228	17,619

- (b) Reclassification

There were some subjects and amounts in the financial report of 2013 that were reclassified for them to be consistent with the financial report of 2014. These reclassified subjects and amounts did not have any significant impact on the financial report of 2013.

- (c) Assumption of the Company will continue as a going concern and schedule of reorganization

As of December 31, 2014, the Group's accumulated deficit was \$44,142,642 thousand, and the consolidated current assets were \$16,211,233 thousand, which were less than the consolidated current liabilities amounting to \$40,806,537 thousand. The Corporation has issues on liquidity risk. The Corporation incurred a loss on its total equity amounting to \$16,213,878 thousand, which exceeded half of its shares that were issued. There were substantial doubts about the Corporation's ability to continue as a going concern. However, the consolidated financial statements in December 31, 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 declare 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 temporarily 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.

(Continued)

WINTEK CORPORATION**Notes to Financial Statements**

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, 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.

The committee of the reorganizers and reorganization supervisors (the committee), which is subject to the resolution based on Reorganization Plan, will perform the first Repayment Plan at January 2019, on December 13, 2019.

The committee decided to repay creditors of secured reorganization claims (i.e. OBU syndicated loan and loan from the FCB Leasing Co. LTD) NT\$277,417 and unsecured reorganization claims NT\$1,656,756 by cash at a proportion of 16% .

Please refer to the Corporation's website for related information.

13. Segment Financial Information

Please refer to the consolidated financial report of 2014.