

(English Translation of Financial Report Originally Issued in Chinese)

**WINTEK CORPORATION AND SUBSIDIARIES**

**Consolidated Financial Statements**

**December 31, 2014 and 2013**

**(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 and subsidiaries:

### Disclaimer and unqualified opinion

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

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

We expressed disclaimer opinion to the accompanying consolidated 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 consolidated statements of balance sheets

We have audited the restated accompanying consolidated balance sheets of Wintek Corporation and subsidiaries as of December 31, 2014 (restated), and notes to the restated consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated 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 consolidated statements of comprehensive income, changes in equity and cash flows

As stated in Note 4(c), the reorganized consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total comprehensive income (loss) amounting to \$ 15,621,848 thousand, constituting 35.26% of consolidated 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 consolidated statements of changes in equity and cash flows.

#### Basis of unqualified opinion to the consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 consolidated total liabilities exceeded the consolidated 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 consolidated statements of balance sheets and the disclaimer opinion to the consolidated 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 consolidated financial statements as of December 31, 2014. As a result, the reviewed report that we expressed in the consolidated 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 consolidated 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 consolidated net operating revenues for the year ended December 31, 2014.



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

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

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

In preparing the consolidated 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 Consolidated 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 consolidated 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 Consolidated Statements of Balance Sheets as of December 31, 2014

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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



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 AND SUBSIDIARIES**

**Consolidated Statements of Financial Position**

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

Assets	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)		Liabilities and Stockholders' Equity	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents (Notes 6(a))	\$ 2,571,340	15	7,068,795	9	5,941,016	-	Short-term borrowings (Notes 6(h))	\$ 2,642,510	15	21,617,807	26	19,820,912	22
Financial assets at fair value through profit or loss - current (Note 6(b))	17,322	-	134,952	-	471	-	Short-term bills payable (Note 6(h))			39,999	-	199,809	-
Available-for-sale financial assets - current (Note 6(b))	322,218	2	553,836	1	310,663	-	Financial liabilities at fair value through profit or loss - current (Notes 6(b))	5,503	-	12,732	-	37,792	-
Notes receivable (Notes 6(c))	227	-	108,688	-	3152	-	Notes payable	19,267	-	205,814	-	14,300	-
Accounts receivables (Notes 6(c))	3,680,697	23	11,629,191	14	13,405,267	15	Accounts payables	11,027,473	65	11,705,544	14	10,634,965	12
Other receivables(Notes 6(c))	12,325	-	987,511	1	480,558	-	Accounts payables – related(Note 7)	7,067,593	42	221	-	-	-
Inventories (Notes 6(d))	148,450	1	9,260,172	11	11,429,764	1	Other payables	3,306,540	20	5,612,541	7	5,682,751	6
Other current assets	61,040	-	2,052,478	2	3,508,977	4	Other payables – related(Note 7)	267,794	2	-	-	-	-
Other financial assets (Notes 6(b))	40,000	-	312,375	1	148,081	-	Current tax liabilities	143,188	1	61,218	-	163,181	-
	<u>6,853,619</u>	<u>41</u>	<u>32,010,178</u>	<u>39</u>	<u>35,227,949</u>	<u>39</u>	Provisions – current	17,000	-	17,188	-	34,547	-
<b>Non-current assets:</b>							Current portion of long-term borrowings (Notes 6(h))	8,262,127	49	9,226,179	11	2,463,047	3
Financial assets carried at cost – non-current (Note 6(b))	51,100	-	148,895	-	177,935	-	Other current liabilities	<u>371,660</u>	<u>2</u>	<u>352,455</u>	<u>1</u>	<u>290,651</u>	<u>1</u>
Investments accounted for using equity method (Notes 6(e))	229,973	1	-	-	-	-		<u>33,130,655</u>	<u>196</u>	<u>48,851,698</u>	<u>59</u>	<u>39,341,955</u>	<u>44</u>
Property, plant and equipment (Notes 6(f))	8,588,290	52	46,039,575	56	50,423,824	56	Long-term borrowings (Notes 6(h))	-	-	7,011,871	9	16,558,851	18
Investment properties, net (Notes 6(g))	237,516	1	222,109	-	209,523	-	Deferred tax liabilities (Note 6(j))	-	-	17,388	-	19,954	-
Computer software	-	-	52,684	-	49,967	-	Other non-current liabilities	<u>3,337</u>	-	<u>12,883</u>	-	<u>4,970</u>	-
Goodwill	-	-	36,866	-	35,920	-		<u>3,337</u>	-	<u>7,042,14</u>	<u>9</u>	<u>16,583,775</u>	<u>18</u>
Deferred tax assets (Notes 6(j))	-	-	1,279,634	2	1,206,044	1	<b>Total liabilities</b>	<u>33,133,992</u>	<u>196</u>	<u>55,893,840</u>	<u>68</u>	<u>55,925,730</u>	<u>62</u>
Prepayments for equipment	-	-	1,006,942	1	2,371,962	3	<b>Stockholders' equity attributable to parent (note 6(m)):</b>						
Refundable deposits	35,255	-	75,243	-	81,187	-	Common stock	20,477,784	122	18,477,784	22	18,477,784	20
Other financial assets – non-current (Notes 6(b))	365,144	2	149,025	-	-	-	Capital surplus	6,807,615	40	15,604,397	19	18,482,836	20
Long-term prepayments for lease	276,785	2	1,159,431	2	1,129,602	1	Accumulated deficits	(44,142,642)	262	(8,555,901)	(10)	(1,181,022)	(1)
Other non-current assets (Note 6(i))	214,131	1	51,654	-	27,350	-	Other stockholders' equity	<u>643,365</u>	<u>4</u>	<u>658,902</u>	<u>1</u>	<u>(903,028)</u>	<u>(1)</u>
	<u>9,998,194</u>	<u>59</u>	<u>50,222,058</u>	<u>61</u>	<u>55,713,314</u>	<u>61</u>	Non-controlling interests	<u>(68,301)</u>	-	<u>153,214</u>	-	<u>138,963</u>	-
<b>Total assets</b>	<b>\$ <u>16,851,813</u></b>	<b><u>100</u></b>	<b><u>82,232,236</u></b>	<b><u>100</u></b>	<b><u>90,941,263</u></b>	<b><u>100</u></b>	<b>Total stockholders' equity</b>	<u>(16,282,179)</u>	<u>(96)</u>	<u>26,338,396</u>	<u>32</u>	<u>35,015,533</u>	<u>38</u>
							<b>Total liabilities and stockholders' equity</b>	<b>\$ <u>16,851,813</u></b>	<b><u>100</u></b>	<b><u>82,232,236</u></b>	<b><u>100</u></b>	<b><u>90,941,263</u></b>	<b><u>100</u></b>

See accompanying notes to consolidated financial statements.

# WINTEK CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(Expressed in thousands of New Taiwan dollars)

	2014		2013	
	Amount	%	Amount	%
<b>Sales revenue</b>	\$ 64,769,081	103	77,267,741	101
Less: Sales returns and allowances	1,721,006	3	870,016	1
<b>Net sales revenue (Note 6(d))</b>	<u>63,048,075</u>	<u>100</u>	<u>76,397,725</u>	<u>100</u>
<b>Cost of goods sold</b>	74,388,427	118	79,640,376	104
<b>Gross profit</b>	<u>(11,340,352)</u>	<u>(18)</u>	<u>(3,242,651)</u>	<u>(4)</u>
<b>Operating expenses:</b>				
Selling	4,559,336	7	593,549	1
Administrative	3,953,691	6	1,852,939	2
Research and development	1,194,590	2	1,449,836	2
	<u>9,707,617</u>	<u>30</u>	<u>3,896,324</u>	<u>5</u>
<b>Other income and expense (Note 6(f))</b>	<u>(27,307,908)</u>	<u>(42)</u>	<u>(3,394,590)</u>	<u>(4)</u>
<b>Operating income</b>	<u>(48,355,877)</u>	<u>(90)</u>	<u>(10,533,565)</u>	<u>(13)</u>
<b>Non-operating income and expenses:</b>				
Interest income	53,281	-	37,407	-
Divided revenue	15,939	-	21,738	-
Gains on fair value adjustment- Investment properties	1,480	-	7,047	-
Other income(Note 6 (O))	13,846,091	22	362,730	-
Loss on disposal of property, plant and equipment	35,075	-	-	-
Gains on disposal of investments	202,424	-	24,623	-
Foreign exchange (Loss) gains	(937,756)	(1)	541,642	1
Gains on financial assets (liabilities) measured at fair value through profit (loss)	247,295	-	257,051	-
Share of gains of subsidiaries (Note 6 (e))	94,027	-	-	-
Finance expense	(1,210,104)	(2)	(916,985)	(1)
Miscellaneous disbursements(Note6 (O))	(931,217)	(1)	(1,721)	-
Other asset Impairment loss	(5,785,113)	(9)	-	-
	<u>5,631,422</u>	<u>9</u>	<u>333,532</u>	<u>-</u>
<b>Income before income tax</b>	<u>(42,724,455)</u>	<u>(66)</u>	<u>(10,200,033)</u>	<u>(13)</u>
<b>Income tax expense (Note 6(l))</b>	1,642,460	3	31,127	-
<b>Consolidated net income</b>	<u>(44,366,915)</u>	<u>(69)</u>	<u>(10,231,160)</u>	<u>(13)</u>
<b>Other comprehensive income:</b>				
Exchange differences on translation of foreign operations	161,043	-	1,328,380	2
Unrealized gain (loss) on available-for-sale financial assets	(176,580)	-	233,343	-
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	(3,837)	-	(7,700)	-
Other comprehensive income (less) for the period, net of income tax	-	-	-	-
<b>Other comprehensive income, net of tax</b>	<u>(19,374)</u>	<u>-</u>	<u>1,554,023</u>	<u>2</u>
<b>Comprehensive income</b>	<u>\$ (44,386,289)</u>	<u>(69)</u>	<u>(8,677,137)</u>	<u>(11)</u>
<b>Net income attributable to:</b>				
Owners of the parent	\$ (44,289,828)	(69)	(10,245,413)	(13)
Non-controlling interests	(77,087)	-	14,253	-
	<u>\$ (44,366,915)</u>	<u>(69)</u>	<u>(10,231,160)</u>	<u>(13)</u>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	\$ (44,309,202)	(69)	(8,691,388)	(11)
Non-controlling interests	(77,087)	-	14,251	-
	<u>\$ (44,386,289)</u>	<u>(69)</u>	<u>(8,677,137)</u>	<u>(11)</u>
<b>Basic earnings per common share (expressed in New Taiwan dollars) (Note 6(n))</b>	<u>\$ (22.74)</u>		<u>(5.55)</u>	

See accompanying notes to consolidated financial statements.

## WINTEK CORPORATION AND SUBSIDIARIES

### Consolidated Statements of Changes in Equity

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

	Stockholders' equity attributable to Owners of the parent Other stockholders' equity							Total stockholders' equity
	Common stock	Capital surplus	Accumulated deficit	Accumulated translation adjustment	Treasury stock	Total equity attributable to Owners of the parent	Non- controlling interests	
<b>Balance as of January 1, 2013</b>	\$ 18,477,784	18,482,836	(1,323,142)	(1,039,918)	136,890	34,734,450	138,963	34,873,413
Effects of retrospective application and retrospective restatement	-	-	<u>142,120</u>	-	-	<u>142,120</u>	-	<u>142,120</u>
Equity at beginning of period after adjustments	18,477,784	18,482,836	(1,181,022)	(1,039,918)	136,890	34,876,570	138,963	35,015,533
Capital surplus used to offset accumulated deficits	-	<u>(2,878,439)</u>	<u>2,878,439</u>	-	-	-	-	-
Net income	-	-	(10,245,413)	-	-	(10,245,413)	14,253	(10,231,160)
Other comprehensive income	-	-	<u>(7,905)</u>	<u>1,328,380</u>	<u>233,550</u>	<u>1,554,025</u>	<u>(2)</u>	<u>1,554,023</u>
Total comprehensive income	-	-	<u>(10,253,318)</u>	<u>1,328,380</u>	<u>233,550</u>	<u>(8,691,388)</u>	<u>14,251</u>	<u>(8,677,137)</u>
<b>Balance as of December 31, 2013</b>	18,477,784	15,604,397	(8,555,901)	288,462	370,440	26,185,182	153,214	26,338,396
Issue of capital stock for GDRs	2,000,000	(89,858)	-	-	-	1,910,142	-	1,910,142
Capital surplus used to offset accumulated deficits	-	<u>(8,706,924)</u>	<u>8,706,924</u>	-	-	-	-	-
Net income	-	-	(44,289,828)	-	-	(44,289,828)	(77,087)	(44,366,915)
Other comprehensive income	-	-	<u>(3,837)</u>	<u>161,043</u>	<u>(176,580)</u>	<u>(19,374)</u>	-	<u>(19,374)</u>
Total comprehensive income	-	-	<u>(44,293,665)</u>	<u>161,043</u>	<u>(176,580)</u>	<u>(44,309,202)</u>	<u>(77,087)</u>	<u>(44,386,289)</u>
Changes in non-controlling interests	-	-	-	-	-	-	(144,428)	(144,428)
<b>Balance as of December 31, 2014</b>	<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>	<u>(68,301)</u>	<u>(16,282,179)</u>

See accompanying notes to consolidated financial statements.

**WINTEK CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

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

	<b>For the year ended December 31 2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ (42,724,455)	(10,200,033)
<b>Adjustments:</b>		
Adjustments for the non-cash effects of items of incomes and expenses:		
Depreciation expense	4,819,570	8,501,448
Amortization expense	29,498	25,243
Bad debt expense	6,014,399	367
Net gain on financial assets or liabilities at fair value through loss (profit)	(247,295)	(257,051)
Interest expense	1,210,104	916,985
Interest income	(53,281)	(37,407)
Divided income	(15,939)	(21,738)
Share of profit of subsidiaries accounted for using equity method	(94,027)	-
Loss (gain) on disposal of property, plant and equipment	(35,075)	1,091
Gains on fair value adjustment- Investment properties	(1,480)	(7,047)
Gains on disposal of investments	(202,424)	(24,623)
Loss on disposal of property, plant and equipment	27,307,908	3,394,590
Other asset impairment losses	5,785,113	-
Foreign exchange (Loss) gains	552,091	(568,581)
Amortization of long term prepayments for lease	23,722	24,721
Other	(13,468,242)	(18)
Effects of change in consolidated investees	3,321,620	-
Total adjustments for the non-cash effects of items of incomes and expenses	<u>34,946,262</u>	<u>11,947,980</u>
Net change in operating assets and liabilities:		
Net change in operating assets:		
Decrease in Financial instruments held for trading	357,863	97,792
Decrease (increase) in notes receivable	5,948	(7,715)
Decrease in account receivable	357,381	1,842,596
Decrease (increase) in other receivable	974,776	(502,635)
Decrease in inventories	5,171,274	2,280,197
Decrease in other current assets	1,661,247	1,537,319
Total net change in operating assets	<u>8,528,489</u>	<u>5,247,554</u>
Net change in operating liabilities:		
Increase (decrease) in notes payable	(187,132)	190,696
Increase in accounts payable	5,774,103	1,006,511
Decrease in other payable	(1,880,307)	(120,290)
Increase in other current liabilities	222,350	50,985
Increase (decrease) in provisions	7,317	(17,359)
Total net change in operating liabilities	<u>3,936,331</u>	<u>1,110,543</u>
Total net change in operating assets and liabilities	<u>12,464,820</u>	<u>6,358,097</u>
Total adjustments	<u>47,411,082</u>	<u>18,306,077</u>
Cash inflows from operating activities	4,686,627	8,106,044
Interest received	56,930	35,766
Interest paid	(273,865)	(865,369)
Income taxes paid	(318,690)	(214,315)
<b>Net cash provided by operating activities</b>	<u>4,151,002</u>	<u>7,062,126</u>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(25,868)	(62,942)
Proceeds of the disposal of available-for-sale financial assets	333,502	107,523
Acquisition of financial assets at cost	(26,368)	-
Proceeds of the disposal of financial assets at cost	32,818	-
Proceeds of capital reduction of financial assets at cost	39,436	-
Acquisition of investments accounted for using equity method	(10,000)	-
Acquisition of property, plant and equipment	(1,536,835)	(2,607,439)
Proceeds of the disposal of property, plant and equipment	97,341	234,412
Decrease in refundable deposits	33,215	6,438
Acquisition of intangible assets	(23,969)	(27,819)
Decrease (increase) in other financial assets	424,742	(309,878)
Increase in other non-current assets	(539,303)	(4,458)
Decrease (increase) in prepayments for business facilities	12,970	(1,949,578)
Dividends received	15,939	21,738
Other investing activities	-	506
<b>Net cash used in investing activities</b>	<u>(1,172,380)</u>	<u>(4,591,497)</u>
<b>Cash flows from financing activities:</b>		
Increase (Decrease) in short-term borrowings	(6,334,111)	1,386,304
Repayment of short-term bills payable	(39,999)	(159,810)
Proceeds of long-term borrowings	512,882	1,744,031
Repayment of long-term borrowings	(3,494,983)	(4,798,035)
Proceeds from (refund of) guarantee deposits received	(9,812)	7,760
Issuance of capital stock for GDRs	1,910,143	-
<b>Net cash used in financing activities</b>	<u>(7,455,880)</u>	<u>(1,819,750)</u>
<b>Effect of exchange rate changes</b>	<u>(20,197)</u>	<u>476,900</u>
<b>Net increase in cash and cash equivalents</b>	(4,497,455)	1,127,779
<b>Cash and cash equivalents, beginning of period</b>	<u>7,068,795</u>	<u>5,941,016</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 2,571,340</u>	<u>7,068,795</u>

See accompanying notes to consolidated financial statements.

# WINTEK CORPORATION AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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

### 1. Organization and Principal Activities

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

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

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

Since the touch panel industry has undergone difficult changes, resulting in the Corporation's losses in the past three years. Under the stringent conditions, as well as the overexpansion of the touch panel industry, the Corporation failed to optimize its capital expenditure, which resulted in an overproduction of its merchandise. Therefore, its credit status from the bank was greatly affected to the extent that it has weakened its ability to repay its long-term and short-term loans and their respective interests, as well as its accounts payable. To remedy its situation, the Corporation applied to the Taiwan Taichung District Court for reorganization and emergency preservation of its property on October 13, 2014. The Taiwan Taichung District Court rendered a ruling to approve for reorganization, with the case number-2014, Serial No. 2, on April 27, 2015. At the time of the ruling, the court selected and appointed the reorganizers and the reorganization supervisors of the Corporation to take charge of the operation of the business. They were also given the authority by the court to control and dispose of any property belonging to the Corporation. According to the Company 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 Consolidated Financial Statements

The consolidated financial reports were approved by the joint meeting of reorganizers and the reorganization supervisors on March 18, 2016.

(Continued)

## WINTEK CORPORATION

### Notes to Financial Statements

#### 3. New Standards and Interpretations Adopted

- (a) The 2013 International Financial Reporting Standards 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 2013 IFRS (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:

<b>Accounting standards, amendments and interpretations</b>	<b>Effective date per IASB</b>
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 Group’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”

According to the amendments to IAS 1, items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The aforementioned allocation basis will not be strictly enforced prior to the adoption of the amendments.

ii) IFRS 12 “Disclosure of Interests in Other Entities”

The standard is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is expecting to increase disclosures on the consolidated entities in accordance with the standard.

iii) IFRS 13 “Fair Value Measurement”

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

(b) The 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:

<b>Accounting standards, amendments and interpretations</b>	<b>Effective date per IASB</b>
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

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

<b>Accounting standards, amendments and interpretations</b>	<b>Effective date per IASB</b>
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

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on its financial position and results of its 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 consolidated financial statements.

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

(a) Statement of Compliance

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

(b) Basis of preparation

i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- 1) Available-for-sale financial assets are measured at fair value;

(Continued)

## WINTEK CORPORATION

### Notes to Financial Statements

- 2) The defined benefit liability is recognized as the present value of the defined benefit obligation, less, plan assets, unrecognized actuarial loss, plus, unrecognized actuarial gain.

ii) Functional and presentation currency

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

(c) Basis of consolidation

i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Corporation and its subsidiaries (the Group). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

1) Changes in ownership interest

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

ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2014	December 31, 2013	
Wintek Corporation	Wintek (B.V.I.) Corporation ("Wintek BVI")	Overseas reinvested holding company	100.00%	100.00%	
Wintek Corporation	Masstop LLC	Overseas reinvested holding company	100.00%	100.00%	
Wintek Corporation	United Win Investment Corporation ("United Win Investment")	Investment	100.00%	100.00%	
Wintek Corporation	Wintek Electro-Optics Corporation ("Wintek Electro-Optics")	Sells LCD/LCM products	100.00%	100.00%	(4)
Wintek Corporation	Mactech Corporation ("Mactech")	Manufactures machinery and equipment	49.30%	49.30%	(1)
Wintek Corporation	Wintek (Central Europe) GmbH ("Wintek Central Europe")	Sells LCD/LCM products	100.00%	100.00%	(4)
Wintek Corporation	Wintek International Holding (Cayman) Corporation ("Wintek	Overseas reinvested holding company	100.00%	100.00%	

(Continued)

## WINTEK CORPORATION

### Notes to Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2014	December 31, 2013	
Wintek Corporation	International Holding") WinPower Optronics Corporation ("WinPower")	Designs ICs	30.83%	30.83%	(4)
Wintek Corporation	Telestar Technology Corporation ("Telestar")	Designs ICs	100.00%	-	(2) (4)
Wintek Technology Cayman	United Win Technology (Cayman) Corporation ("United Win Cayman")	Overseas reinvested holding company	100.00%	100.00%	
United Win Cayman	United Win (H.K.) Technology Limited ("United Win HK")	Overseas reinvested holding company	100.00%	100.00%	
United Win Cayman	Wintek Technology (H.K.) Limited ("Wintek Technology HK")	Overseas reinvested holding company	100.00%	100.00%	
United Win HK	United Win (China) Technology Limited ("United Win China")	Manufactures and sells electronic components, accessories and related products	100.00%	100.00%	(3)
Wintek Technology HK	Wintek (China) Technology Ltd. ("Wintek China")	Manufactures and sells electronic components, accessories and related products	83.04%	83.04%	(3)
Masstop LLC	Masstop Asia Pacific Ltd. ("Masstop")	Overseas reinvested holding company and seller of LCD/LCM products	100.00%	100.00%	
Masstop	Dongguan Masstop Liquid Crystal Display Co., Ltd. ("Dongguan Masstop")	Manufactures and sells LCM and touch panel products	100.00%	100.00%	(3)
Dongguan Masstop	DongGuan Sheng Feng Import and Export Trading Co., Ltd. ("DongGuan Innolife")	Import and export trading	100.00%	100.00%	(3)
Dongguan Masstop	DongGuan Innolife Electronic Technology Co., Ltd. ("Innolife")	Manufactures and sells owned-brand products	100.00%	100.00%	(3)
Dongguan Masstop	Wintek (China) Technology Ltd. ("Wintek China")	Manufactures and sells electronic components, accessories and related products	16.96%	16.96%	(3)
Wintek BVI	Wintek International (Samoa) Corporation ("Wintek Samoa")	Overseas reinvested holding company	100.00%	100.00%	
Wintek Samoa	Wintek Vietnam Co., Ltd. ("Wintek Vietnam")	Manufactures and processes LCD/LCM and touch panel products	100.00%	100.00%	
Wintek International Holding	Wintek Far East (Cayman) Corporation ("Wintek Far East")	Overseas reinvested holding company	82.31%	82.31%	
Wintek Electro-Optics	Wintek Far East	Overseas reinvested holding company	17.69%	17.69%	
Wintek Far East	Wintek India	Manufactures and sells LCD/LCM products	100.00%	100.00%	(4)

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

- 1) The Corporation and its president had lost control over Mactech in October 2014; thus, not consolidated in the Group's consolidated financial statements.
- 2) The Corporation has invested in "Telestar" in 2014, which gives the Corporation to gain control over "Telestar"; thus, consolidated in the Group's consolidated financial statements.
- 3) Due to operating difficulty, certain subsidiaries in mainland China defaulted on loans. Since 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 businesses in China. The significant transactions between the Corporation and these subsidiaries had ceased beginning November 2014. Because the Corporation was unable to control the operation of these subsidiaries, the Corporation considered that it had lost control over in the following companies: a.) United Win China b.) Wintek China. c.) Dongguan Masstop; thus, they were not consolidated in the Group's consolidated financial statements starting December 1, 2014. Furthermore, SuZhou Industrial Park People's Court rendered a ruling to approve the reorganization of United Win China on March 19, 2015. Dongguan Intermediate People's Court also rendered a ruling to approve the reorganization of Wintek China) and Dongguan Masstop on August 13, 2015.

Among these subsidiaries, the financial statements of United Win China in 2014 were unaudited. Meanwhile, Wintek China and Dongguan Masstop 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 total assets amounted to \$0 thousand as of December 31, 2014, and the net sales revenue was \$838,023 thousand, and comprehensive loss, attributable to owners of parent 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, which was recognized a gain on reversal amounting to \$13,468,242 thousand for the years ended December 31, 2014.

- 4) The investees have ceased operating since 2015.

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## WINTEK CORPORATION

### Notes to Financial Statements

iii) List of subsidiaries not in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2014	December 31, 2013	
Wintek Corporation	Mactech Corporation (“Mactech”)	Manufactures machinery and equipment	49.30%	49.30%	(1)
United Win HK	United Win (China) Technology Limited (“United Win China”)	Manufactures and sells electronic components, accessories and related products	100.00%	100.00%	(1)
Wintek Technology HK	Wintek (China) Technology Ltd. (“Wintek China”)	Manufactures and sells electronic components, accessories and related products	83.04%	83.04%	(1)
Masstop	Dongguan Masstop Liquid Crystal Display Co., Ltd. (“Dongguan Masstop”)	Manufactures and sells LCM and touch panel products	100.00%	100.00%	(1)
Dongguan Masstop	DongGuan Sheng Feng Import and Export Trading Co., Ltd. (“DongGuan Innolife”)	Import and export trading	100.00%	100.00%	(1)
Dongguan Masstop	DongGuan Innolife Electronic Technology Co., Ltd. (“Innolife”)	Manufactures and sells owned-brand products	100.00%	100.00%	(1)
Dongguan Masstop	Wintek (China) Technology Ltd. (“Wintek China”)	Manufactures and sells electronic components, accessories and related products	16.96%	16.96%	(1)

(1) Please refer to (ii).

(d) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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.

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**WINTEK CORPORATION****Notes to Financial Statements**

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, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation difference (translation reserve) in equity.

(e) 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.

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) 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 issuance of equity instruments do not affect its classification.

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

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, due from banks, demand deposits, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to 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.

(g) Financial instruments

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

i) Financial assets

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

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 Group, except for those designated as effective hedging derivative instruments, are classified into this category.

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 the trade-date accounting.

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

## 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 the 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 Group received 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. Loans and 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 the trade-date accounting.

## 4) Impairment of financial assets

The financial assets which are not measured at fair value through profit or loss shall be assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is 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 Group on terms that the Group 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 from 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 Group derecognizes financial assets when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in 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 Group 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.

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

3) Derecognition of financial liabilities

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

(h) Inventories

The cost of inventories is based on the 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.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group 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 consolidated financial statements include the Group'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 Group from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group'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.

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

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.

(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 those 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 other gains and losses.

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.

iii) Depreciation

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

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 reasonable 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.

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

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 and improvements:
  - Main building: 8~35 years
  - Electrical power equipment: 5~6 years
  - Interior decoration: 3~10 years
  - Others: 3~6 years
- 2) Machinery and equipment: 2~11 years
- 3) Transportation equipment: 3~11 years
- 4) Furniture and fixtures: 2~10 years
- 5) Leasehold improvements: 2~10 years
- 6) Other equipment: 2~15 years

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

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

## (l) 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.

Other leases are accounted for as 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.

## (m) Intangible assets

## i) Goodwill

## 1) Recognition

Goodwill arising from acquisition of subsidiaries is included in intangible assets.

## 2) Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses.

Goodwill related to an associate or a joint venture is included in the carrying amount of the investment. Impairment loss not allocated to any asset, including goodwill, forms part of the carrying amount of the investment in the associate or joint venture.

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

## ii) Other intangible assets

Other intangible assets that are acquired by the Group 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. 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.

## (n) Impairment – Non-derivative financial assets

The Group 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 Group estimates the recoverable amount of the asset. The Group recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Group 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.

## (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.

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

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

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

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

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.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

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

iii) 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.

(q) 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 Group granted before January 1, 2008 are accounted for in according 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 whose 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.

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

(r) 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) at the time of 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 fulfills one of the scenarios below:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible

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## WINTEK CORPORATION

### Notes to Financial Statements

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 recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(s) Earnings per share

The Group 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.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

(u) Voluntary changes in accounting policies and accounting estimates

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

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

**2013.1.1 Balance sheets**

	<b>As Originally Stated</b>	<b>Influences</b>	<b>Restated</b>
Investment properties	\$ 67,403	142,120	209,523
Accumulated deficits	(1,323,142)	142,120	(1,181,022)

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

**2013.12.31 Balance sheets**

	<b>As Originally Stated</b>	<b>Influences</b>	<b>Restated</b>
Investment properties	\$ 67,318	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**

	<b>2014</b>	<b>As Originally Stated</b>	<b>2013 Influences</b>	<b>Restated</b>
Administrative expenses	\$ 1,880	1,854,795	(1,856)	1,852,939
Gains on fair value adjustment- Investment properties	1,480	-	7,047	7,047
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 Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to rapid technological change, the Group 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.

(Continued)

**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 consolidated financial statements have been prepared in accordance with the assumption of the Company's ability to continue as a going concern. However, as of 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

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Cash on hand	\$ 311,112	14,956
Checking and savings accounts	1,623,668	4,225,532
Time deposits	<u>636,560</u>	<u>2,828,307</u>
	<u><b>\$ 2,571,340</b></u>	<u><b>7,068,795</b></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(o) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

## (b) Financial assets and liabilities

	December 31, 2014	December 31, 2013
<b>Current:</b>		
Financial assets at fair value through profit or loss		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ -	132,356
Swap contracts	<u>17,322</u>	<u>2,596</u>
	<u>\$ 17,322</u>	<u>134,952</u>
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ -	392
Swap contracts	-	2,601
Interest rate swap contracts	<u>5,503</u>	<u>9,739</u>
	<u>\$ 5,503</u>	<u>12,732</u>
Available-for-sale financial assets		
Local investments		
Publicly listed stocks	\$ 322,218	511,254
Beneficiary certificates – funds	<u>-</u>	<u>42,582</u>
	<u>\$ 322,218</u>	<u>553,836</u>
Other financial assets		
Mortgaged time deposits	\$ 40,000	89,415
Time deposits with original maturities of more than three months	-	219,960
Restricted deposits	<u>-</u>	<u>3,000</u>
	<u>\$ 40,000</u>	<u>312,375</u>
<b>Non-current:</b>		
Financial assets carried at cost:		
Unlisted stock		
Andes Technology Corporation (“Andes”)	\$ 35,022	-
Kingspak Technology Corporation (“Kingspak”)	-	123,443
Hsin Chu Golf Country Club Co., Ltd.	9,620	9,260
Integrated Solutions Technology, Inc. (“Integrated Solutions”)	6,818	6,818
Uniflex Technology Inc. (“Uniflex”)	-	6,434
Taichung International Country Club	<u>-</u>	<u>2,940</u>
	<u>\$ 51,100</u>	<u>148,895</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 Group uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The Group held the following derivative financial instruments that do not qualify for hedging accounting and presented as held-for-trading financial assets (liabilities):

- 1) As of December 31, 2014, the outstanding forward exchange contracts that do not qualify for hedging accounting are as follows:

		<b>December 31, 2013</b>	
	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount</b>
Sell/buy	TWD/USD	January 15, 2014 to March 24, 2014	TWD 9,389,640/USD 319,000
Sell/buy	USD/TWD	January 13, 2014 to March 24, 2014	USD 631 /TWD 18,820
Sell/buy	USD/CNY	January 9, 2014 to January 24, 2014	USD 49,076/CNY 303,084
Sell/buy	CNY/USD	January 15, 2014 to January 17, 2014	CNY 152,681/USD 25,076

- 2) As of December 31, 2014, outstanding swap contracts are as follows:

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

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

- 3) As of December 31, 2014, outstanding interest rate swap contracts are as follows:

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

		<b>December 31, 2013</b>	
<b>Contract Amount</b>	<b>Maturity Date</b>	<b>Interest rate payables</b>	<b>Interest rate receivables</b>
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**

4) As of December 31, 2014, outstanding option contracts are as follows:

<b>December 31, 2014</b>				
	<b>Contract Amount</b>	<b>Exercise period</b>	<b>Exercise price</b>	<b>Strike price</b>
Long put	USD 1,000	July 25, 2013 to July 25, 2015	Less than USD/RMB 6.29	USD/RMB 6.29

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

Kingpak reduced its capital and returned 50% share capital to the Corporation in June 2014. The Corporation then provided 30% shares of Kingpak to swap the share of iBMi Technology Inc. with 1.18:1 conversion ratio in August 2014. iBMi Technology Inc. is a listed company and the Group reclassified the swapped parts to available-for-sale financial assets. The Group disposed the remaining shares of Kingpak in 2014, which was recognized as 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(p). 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:

<b>Security price on the reporting date</b>	<b>2014</b>		<b>2013</b>	
	<b>Other consolidated profit or loss after tax</b>	<b>Net income</b>	<b>Other consolidated profit or loss after tax</b>	<b>Net income</b>
Rise 1%	\$ <u>3,222</u>	<u>98</u>	<u>5,538</u>	<u>1,014</u>
Drop 1%	\$ <u>(3,222)</u>	<u>(98)</u>	<u>(5,538)</u>	<u>(1,014)</u>

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

## (c) Notes and accounts receivable

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Notes receivables	\$ 227	10,868
Accounts receivable	6,988,686	11,655,318
Other receivables	71,962	1,046,442
Less: allowance for doubtful accounts	<u>(3,367,626)</u>	<u>(85,058)</u>
	<b><u>\$ 3,693,249</u></b>	<b><u>12,627,570</u></b>

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

The movement in the provision for impairment with respect to notes and accounts receivable during the years 2014 and 2013 was as follows:

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Balance at January 1	\$ 85,058	84,558
Impairment loss recognized	3,215,089	367
Loss of control	(3,025)	-
Effect of movement in exchange rates	<u>70,504</u>	<u>133</u>
Balance at December 31	<b><u>\$ 3,367,626</u></b>	<b><u>85,058</u></b>

Note: Above movement did not include the subsidiaries which the Group had lost control over during the period of 2014. These subsidiaries recognized impairment loss \$2,315 thousand.

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

As of December 31, 2014 and 2013, the Group recognized an impairment loss of \$8,563 thousand , for each year, on its accounts receivable. These amounts mainly pertained to account receivables from customers that were in liquidation. The Group has no collateral for these receivables.

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

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	84,133	84,133	-	2.01-2.65	-
	<u>US\$ 162,104</u>	<u>US\$ 162,104</u>	<u>US\$ -</u>		<u>US\$ -</u>
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 promissory notes to the banks, with the aggregate amounts of US\$0 thousand and US\$169,000 thousand, respectively, as collateral.

## (d) Inventories

	December 31, 2014	December 31, 2013
Finished goods	\$ 708,325	2,438,885
Less: provision for obsolescence and devaluation	<u>(567,069)</u>	<u>(572,359)</u>
	<u>141,256</u>	<u>1,866,526</u>
Work in process	881,224	6,570,765
Less: provision for obsolescence and devaluation	<u>(877,052)</u>	<u>(978,533)</u>
	<u>4,172</u>	<u>5,592,232</u>
Raw materials and supplies	970,367	2,417,274
Less: provision for obsolescence and devaluation	<u>(969,167)</u>	<u>(619,844)</u>
	<u>1,200</u>	<u>1,797,430</u>
Commodity	<u>1,822</u>	<u>3,984</u>
	<u>\$ 148,450</u>	<u>9,260,172</u>

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 were \$74,388,427 thousand and \$79,640,376 thousand, respectively.

Due to the dramatic changes in the touch panels industry, the demand growth of touch panels used in laptop computers were lower than expected, resulting in shorter product life cycles. In 2014 and 2013, the write-down of inventories increased the cost of sales by \$6,239,635 thousand and \$1,416,204 thousand, respectively.

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

(e) Investments accounted for using equity method

- i) For the years ended December 31, 2014 and 2013, the Group's share of the net gain of associates was as follows:

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Associate - Mactech	\$ <u>229,973</u>	<u>-</u>

The Corporation had loss control over Mactech in October 2014, thus the investee was deemed associate of the Group.

- ii) Associate

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

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

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

The share of loss in the investment in associate as of December 31, 2014 and 2013 were \$94,027 and \$0, respectively.

As of December 31, 2014 and 2013, none of the investments accounted for using equity method of the Group were pledged as collateral.

(f) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
<b>Cost or deemed cost:</b>									
Balance at 1 January, 2014	\$ 2,906,419	20,036,508	46,946,469	63,127	356,402	498,908	7,887,143	3,158,162	81,863,138
Additions	-	73,663	104,508	-	8,672	-	4,270	185,863	376,976
Sales of assets	-	-	(84,467)	(2,355)	(8,182)	(15,207)	(8,044)	-	(118,255)
Reclassification	(33,981)	258,586	52,397	-	57	-	4,433	(263,050)	18,442
Loss of control	(130,016)	(10,737,126)	(30,873,512)	(34,938)	(239,439)	(472,816)	(7,057,453)	(420,991)	(49,966,291)
Effect of movement in exchange rates	-	132,003	164,707	253	2,773	673	24,747	154,694	479,850
Balance at December 31, 2014	<u>\$ 2,742,422</u>	<u>9,763,634</u>	<u>16,320,102</u>	<u>26,087</u>	<u>120,283</u>	<u>11,558</u>	<u>855,096</u>	<u>2,094,811</u>	<u>32,653,860</u>
Balance at 1 January, 2013	\$ 2,900,269	15,416,358	48,272,188	65,102	342,501	457,607	7,574,660	5,362,862	80,391,547
Additions	6,150	601,543	2,739,762	4,591	32,551	14,819	1,308,260	1,165,971	5,873,647
Sales of assets	-	(2,629)	(5,822,553)	(8,161)	(25,638)	(83)	(1,349,140)	-	(7,208,204)
Reclassification	-	3,564,544	(24,076)	(441)	(3,929)	-	(10,314)	(3,564,587)	(38,803)
Effect of movement in exchange rates	-	456,692	1,791,148	2,036	10,917	26,565	363,677	193,916	2,844,951
Balance at December 31, 2013	<u>\$ 2,906,419</u>	<u>20,036,508</u>	<u>46,956,469</u>	<u>63,127</u>	<u>356,402</u>	<u>498,908</u>	<u>7,887,143</u>	<u>3,158,162</u>	<u>81,863,138</u>
<b>Accumulated depreciation:</b>									
Balance at 1 January, 2014	\$ -	4,970,103	22,345,984	36,656	265,630	287,772	3,664,908	-	31,571,053
Depreciation for the year	-	542,422	885,083	4,616	16,931	4,424	187,545	-	1,641,021
Sales of assets	-	-	(44,421)	(1,871)	(7,087)	(15,207)	(7,592)	-	(76,178)
Effect of movement in exchange rates	-	21,389	67,549	193	2,531	580	19,132	-	111,374
Loss of control	-	(2,217,659)	(13,378,587)	(25,006)	(182,971)	(267,364)	(3,138,471)	-	(19,210,058)
Balance at December 31, 2014	<u>\$ -</u>	<u>3,316,255</u>	<u>9,875,608</u>	<u>14,588</u>	<u>95,034</u>	<u>10,205</u>	<u>725,522</u>	<u>-</u>	<u>14,037,212</u>
Balance at 1 January, 2013	\$ -	3,809,612	21,019,696	32,842	229,298	165,279	3,867,704	-	29,124,431
Depreciation for the year	-	1,066,379	6,255,881	9,175	55,881	111,394	1,002,738	-	8,501,448
Sales of assets	-	(2,629)	(5,581,486)	(6,524)	(24,289)	(83)	(1,340,086)	-	(6,955,097)
Others	-	(2)	(5,613)	(126)	(1,740)	-	(3,774)	-	(11,255)
Effect of movement in exchange rates	-	96,743	657,506	1,289	6,480	11,182	138,326	-	911,526
Balance at December 31, 2013	<u>\$ -</u>	<u>4,970,103</u>	<u>22,345,984</u>	<u>36,656</u>	<u>265,630</u>	<u>287,772</u>	<u>3,664,908</u>	<u>-</u>	<u>31,571,053</u>
<b>Accumulated impairment:</b>									
Balance at 1 January, 2014	\$ 33,981	77,180	4,139,182	-	-	-	2,167	-	4,252,510
Impairment for the year	-	3,490,199	4,544,163	10,008	20,740	-	107,749	719,866	8,892,725
Sales of assets	-	-	-	(2)	-	-	-	-	(2)
Reclassification	(33,981)	(4,292)	-	-	-	-	-	-	(38,273)
Effect of movement in exchange rates	-	13,396	19,795	16	29	-	667	-	33,903
Loss of control	-	-	(3,110,338)	-	-	-	(2,167)	-	(3,112,505)
Balance at December 31, 2014	<u>\$ -</u>	<u>3,576,483</u>	<u>5,592,802</u>	<u>10,022</u>	<u>20,769</u>	<u>-</u>	<u>108,416</u>	<u>-</u>	<u>10,028,358</u>
Balance at 1 January, 2013	\$ 33,981	84,446	722,818	-	-	-	2,047	-	843,292
Impairment for the year	-	-	3,394,590	-	-	-	-	-	3,394,590
Sales of assets	-	-	(17,603)	-	-	-	-	-	(17,603)
Effect of movement in exchange rates	-	(7,266)	39,377	-	-	-	120	-	32,231
Balance at December 31, 2013	<u>\$ 33,981</u>	<u>77,180</u>	<u>4,139,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,167</u>	<u>-</u>	<u>4,252,510</u>
<b>Carrying amount:</b>									
Balance at December 31, 2014	<u>\$ 2,742,422</u>	<u>2,870,896</u>	<u>851,378</u>	<u>1,687</u>	<u>4,480</u>	<u>1,353</u>	<u>21,262</u>	<u>2,094,811</u>	<u>8,558,290</u>
Balance at December 31, 2013	<u>\$ 2,872,438</u>	<u>14,989,225</u>	<u>20,471,303</u>	<u>26,471</u>	<u>90,772</u>	<u>211,136</u>	<u>4,220,068</u>	<u>3,158,162</u>	<u>46,039,575</u>
Balance at January 1, 2013	<u>\$ 2,866,288</u>	<u>11,522,300</u>	<u>26,529,674</u>	<u>32,260</u>	<u>113,203</u>	<u>292,328</u>	<u>3,704,909</u>	<u>5,362,862</u>	<u>50,423,824</u>

Note : Above movement for property, plant and equipment did not include the subsidiaries which the Group had lost control over during the period of 2014. These subsidiaries recognized impairment loss \$18,415,183 thousand.

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**WINTEK CORPORATION****Notes to Financial Statements**

## i) Leased assets

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

## ii) Impairment loss

Under the stringent conditions as well as the overexpansion of the touch panel industry, the Group failed to optimize its capital expenditure. From the assessment of its book value and the recoverable amount, the Group recognized an impairment loss of \$27,307,908 thousand for year 2013. Changes and procedures in the production technology also resulted in an impairment loss of \$3,394,590 thousand in 2013 based on the book value of certain old machinery and equipment.

## iii) Interest capitalized

Interest capitalized for purchasing property, plant, and equipment for the year ended December 31, 2014 and 2013 amounted to \$2,130 thousand and \$179,506 thousand, respectively. The interest capitalization rates were 2%~3.19% and 1.31%~5.91%, respectively.

## iv) Pledged as collateral

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

## v) Others

For its building expansion, Mactech entered into a contract to buy a 3,874-square meter lot located on Tanxing Road in the Tanzi District in Taichung in December 2007. However, because this lot is classified as an agricultural land, the title to this lot is under the name of Mactech's president. Nevertheless, Mactech's president has signed a trust deed assigning Mactech as the beneficiary of this lot. As of December 31, 2014, Mactech recognized the whole impairment loss of this lot after Mactech assessed that this lot was under a great probability of impairment loss.

## (g) Investment properties

The investment properties were leased out for 3 year. All lease contracts contain market review clauses applicable to contract renewals. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

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## WINTEK CORPORATION

## Notes to Financial Statements

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

	December 31, 2014	December 31, 2013
Not later than one year	\$ 3,378	4,780
Later than one year and not later than five years	1,689	4,793
More than five years	-	-
	<u>\$ 5,067</u>	<u>9,573</u>

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

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

	December 31, 2014	December 31, 2013
Expected future cash inflows	\$ 238,675	222,236
Expected future cash outflows	<u>(1,159)</u>	<u>(1,092)</u>
Expected future cash inflows, net	<u>\$ 237,516</u>	<u>221,144</u>
Discount rate (%)	<u>2.625%</u>	<u>2.625%</u>

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

The investment property had been leased out under operating leases. The rental income generated for the years 2014 and 2013 were \$5,054 thousand and \$2,930 thousand, respectively.

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

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**WINTEK CORPORATION**

**Notes to Financial Statements**

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

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

(h) Prepayments for lease

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

The Group's leased lands in 2013 were as follows and The Group's leased lands in 2014 only included Wintek Vietnam.

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

(i) Long-term and short-term borrowings

i) Short-term borrowings

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Unsecured loans	\$ 2,642,510	20,458,728
Secured loans	-	1,159,079
	<b>\$ <u>2,642,510</u></b>	<b><u>21,617,807</u></b>
Interest rate (%)		
Unsecured loans	<u>1.47~2.30</u>	<u>1.27~3.66</u>
Secured loans	<u>-</u>	<u>3.86~6.00</u>

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**WINTEK CORPORATION**  
**Notes to Financial Statements**

ii) Short-term bills payable

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

iii) Long-term borrowings

	Interest rate	Maturity date	December 31, 2014	December 31, 2013
Secured loans	1.65%~5.91%	December 2014 to October 2018	\$ 8,082,949	9,670,124
Unsecured loans	2.17%~3.15%	September 2015	-	6,158,341
Other loans	3.06%~6.03%	August 2015 to August 2016	179,179	409,585
Less: current portion			<u>(8,262,128)</u>	<u>(9,226,179)</u>
			<u>\$ -</u>	<u><b>7,011,871</b></u>

As of December 31, 2014, the Corporation recognized its borrowings default interest and penalty of \$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, or 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.

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

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**WINTEK CORPORATION**

**Notes to Financial Statements**

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

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

As of December 31, 2014, the Group 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.

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

As of the December 31, 2013, Wintek China did not breach the above loan agreement.

(j) Employee benefits

i) Defined benefit plans

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

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Unrecognized value of benefit obligations	\$ -	-
Recognized value of benefit obligations	<u>20,095</u>	<u>300,897</u>
Present value of benefit obligations	20,095	300,897
Fair value of plan assets	<u>(224,430)</u>	<u>(322,624)</u>
Recognized assets for defined benefit obligations	<u>\$ (204,335)</u>	<u>(21,727)</u>

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**WINTEK CORPORATION**

**Notes to Financial Statements**

1) Composition of plan

The Corporation allocates the pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from the two-year time deposits with interest rates offered by local banks.

The balance of the Corporation's labor pension reserve accounts in the Bank of Taiwan amounted to \$224,430 thousand as of December 31, 2014. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, the Minister of Labor.

2) Movements in present value of the defined benefit obligations

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

	<b>2014</b>	<b>2013</b>
Defined benefit obligation at January 1	\$ 288,972	291,332
Current service cost	2,313	2,556
Interest cost	5,418	4,734
Amortization of Prior service cost	10,460	-
Actuarial losses	4,695	5,779
Benefit paid	(99,921)	(3,504)
Effect of reducing staff	(191,842)	-
Defined benefit obligation at December 31	<u>\$ 20,095</u>	<u>300,897</u>

3) Movements in fair value of plan assets

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

	<b>2014</b>	<b>2013</b>
Fair value of plans assets at January 1	\$ 303,333	306,478
Expected return on plan asset	6,217	5,900
Actuarial gains (losses)	858	(1,921)
Contribution from the employer	13,943	15,671
Benefit paid	(99,921)	(3,504)
Fair value of plan assets at December 31	<u>\$ 224,430</u>	<u>322,624</u>

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

## 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	<b>2014</b>	<b>2013</b>
Service cost	\$ 12,773	2,556
Interest cost	5,418	4,734
Expected return on plan assets	(6,217)	(5,900)
Benefit of reducing staff	(191,842)	-
	<u>\$ (179,868)</u>	<u>1,390</u>
Cost of goods sold	\$ (129,011)	2,032
Operating expenses	(50,857)	(642)
	<u>\$ (179,868)</u>	<u>1,390</u>

Actuarial gains and losses recognized by the Group in other comprehensive income for the years ended December 31, 2014 and 2013 were \$3,837 thousand and \$7,700 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 were \$42,563 thousand and \$38,726 thousand, respectively.

## 5) Actuarial assumptions

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

	<b>2014</b>	<b>2013</b>
Discount rate	1.625%	1.875%
Expected rate of return on plan assets	2.00%	2.00%
Future salary growth	2.75%	3.00%~3.50%

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.

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

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>(16,258)</u>	<u>(29,762)</u>	<u>-</u>
Experience adjustments on plan assets	\$ <u>858</u>	<u>(1,921)</u>	<u>(3,074)</u>	<u>-</u>

The Group expects to make a contribution of \$230 thousand to the defined benefit plans during the annual periods after 2014.

ii) Defined contribution plans

The Group 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 Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were \$137,993 thousand and \$170,742 thousand for in 2014 and 2013, respectively. Payment was made to the Bureau of Labor Insurance.

Except for the subsidiaries which belong to reinvested holding companies are not under the contribution method, the pension cost of foreign subsidiaries recognized in accordance with the local defined contribution method amounted to \$209,010 thousand and \$312,482 thousand for the years 2014 and 2013, respectively.

(k) Income taxes

i) Income tax expense

1) The amount of income tax for the years ended December 31 in 2014 and 2013 was 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>
	<u>\$ 1,040,753</u>	<u>(102,898)</u>
Income tax expense of subsidiaries	<u>601,707</u>	<u>134,025</u>
Income tax expense	<u>\$ 1,642,460</u>	<u>31,127</u>

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

- 2) No income tax was recognized directly in equity for the years ended December 31, 2014 and 2013.
- 3) The Group's reconciliation of income tax and profit before tax in 2014 and 2013 is as follows:

	2014	2013
Losses before tax	\$ <u>(42,724,455)</u>	<u>(10,200,033)</u>
Income tax expense at losses before tax	\$ (7,263,157)	(1,759,213)
Losses from recognition of equity method	4,146,909	866,700
Changes in unrecognized temporary difference and others	4,134,070	2,534,811
Income tax expense of subsidiaries	601,707	134,025
Under/(Over) provisions in prior year	<u>22,931</u>	<u>(1,745,196)</u>
Total	\$ <u><u>1,642,460</u></u>	<u><u>31,127</u></u>

## ii) Deferred tax assets and liabilities

## 1) Recognised deferred tax assets and liabilities

Movements in the amount of deferred tax assets and liabilities in 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	\$ 311,830	55,986	351,799	446,888	113,131	1,279,634
Recognized in profit or loss	<u>(311,830)</u>	<u>(55,986)</u>	<u>(351,799)</u>	<u>(446,888)</u>	<u>(113,131)</u>	<u>(1,279,634)</u>
Balance at December 31, 2014	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2013	\$ 393,655	66,538	205,985	399,436	138,430	1,206,044
Recognized in profit or loss	<u>(83,825)</u>	<u>(10,552)</u>	<u>145,814</u>	<u>47,452</u>	<u>(25,299)</u>	<u>73,590</u>
Balance at December 31, 2013	\$ <u><u>311,830</u></u>	<u><u>55,986</u></u>	<u><u>351,799</u></u>	<u><u>446,888</u></u>	<u><u>113,131</u></u>	<u><u>1,279,634</u></u>

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

Information on integrated income tax

	<b>Others</b>
Balance at January 1, 2014	\$ (17,388)
Recognized in profit or loss	<u>17,388</u>
Balance at December 31, 2014	<u>\$ -</u>
Balance at January 1, 2013	\$ (19,954)
Recognized in profit or loss	<u>2,566</u>
Balance at December 31, 2013	<u>\$ (17,388)</u>

2) Unrecognized deferred tax assets

As of December 31, 2014 and 2013, the amounts of the Corporation's unrecognized deferred tax assets derived from unlikely taxable income were \$7,047,753 thousand and \$3,184,497 thousand, respectively.

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

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
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>
	<b>2014 (actual)</b>	<b>2013 (actual)</b>
Creditable ratio for earnings distribution	<u>          </u> %	<u>          </u> %

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

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 beginning 2013.

vi) Income tax returns through 2013 had been examined and cleared by the tax authorities

**(l) Equity****i) Share Capital****1) Common stocks**

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

As of December 31, 2014 and 2013, the total value of the nominal ordinary shares amounted to \$25,000,000 thousand. In addition, \$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 per share through private placement in accordance with Article 43-6 of the Securities and Exchange Act. The issuance price was NT\$27.74 per share. These shares could be resold only after three years from the delivery date (November 23, 2006). As of September 30, 2014, the shares had not been listed because the Corporation had an accumulated deficit in the most recent fiscal year and did not meet the requirement for public listing under the Guidelines and Provisions in Article 12-1 of the Taiwan Stock Exchange Corporation's Rules for the Review of Securities Listings

(Continued)

## WINTEK CORPORATION

### Notes to Financial Statements

#### 3) Issuance of global depositary receipts (GDRs)

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

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

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

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

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

#### ii) Capital Surplus

	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	318	318
Total	<u>\$ 6,807,615</u>	<u>15,604,397</u>

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

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

## iii) Legal reserve

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

## iv) Special reserve

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

## v) Retained Earnings and Dividends Policy

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

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

Under the Corporation 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.

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

For the years ended December 31, 2014 and 2013 the Corporation had no profits; thus, no employee bonuses and remuneration to directors and supervisors were recognized.

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

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

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

vi) Other equity

	<b>Foreign exchange differences arising from foreign operations</b>	<b>available-for-s ale financial assets</b>	<b>Total</b>
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	<u>-</u>	<u>(176,580)</u>	<u>(176,580)</u>
Balance at December 31, 2014	<u><b>\$ 449,505</b></u>	<u><b>193,860</b></u>	<u><b>643,365</b></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	<u>-</u>	<u>233,550</u>	<u>233,550</u>
Balance at December 31, 2013	<u><b>\$ 288,462</b></u>	<u><b>370,440</b></u>	<u><b>658,902</b></u>

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

## (m) Share-based payment arrangements

- i) Under a stock option plan, (the "Plan"), the Corporation issued 29,000 share units to its employees 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. 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. The exercise prices of the stock options granted by Mactech was NT\$10.00 per common share.
- ii) Other information on the Corporation's and Mactech's employee stock options is as follows:

Employee stock options	December 31, 2013	
	Units	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>	-

Mactech's Employee stock options	December 31, 2014	
	Units	Weighted average exercise price
Balance, beginning of period	34	\$ 10.00
Options forfeited	<u>(34)</u>	10.00
Options exercisable, end of period	<u>-</u>	-

Mactech's Employee stock options	December 31, 2013	
	Units	Weighted average exercise price
Balance, beginning of period	38	\$ 10.00
Options forfeited	<u>(4)</u>	10.00
Balance, end of period	<u>34</u>	10.00
Options exercisable, end of period	<u>34</u>	10.00

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Exercise price (NT\$)	<u>-</u>	<u>10.00</u>
Options exercisable, end of period	<u>-</u>	<u>0.58</u>

- iii) There was no compensation cost recognized under the intrinsic value method for the years ended December 31, 2013. 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:

	<b>December 31, 2013</b>
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)

(n) Earnings per share

Basic earnings per common share:

	<b>2014</b>	<b>2013</b>
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>(22.74)</u>	<u>(5.55)</u>

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

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

## (m) Non-operating revenue and expenses

## i) Other income

	<b>2014</b>	<b>2013</b>
Gain on reversal accounted for using the equity method- credit(Note 4 (c))	\$ 13,468,242	-
Reparation income	162,118	6,955
Grants income	54,188	282,272
Gain on disposal of property, plant and equipment	40,974	-
Others	<u>120,569</u>	<u>73,503</u>
	<b><u>\$ 13,846,091</u></b>	<b><u>362,730</u></b>

## ii) Other expenses

	<b>2014</b>	<b>2013</b>
Estimated loss on contingent liability	\$ 783,110	-
Estimated loss on endorsement/guarantees given to other parties	80,961	-
Others	<u>67,146</u>	<u>1,721</u>
	<b><u>\$ 931,217</u></b>	<b><u>1,721</u></b>

## iii) Other asset Impairment loss

	<b>2014</b>	<b>2013</b>
Estimated loss on loans provide to other parties(Note7)	\$ 4,417,908	-
Impairment loss on intangible assets	67,709	-
Others	<u>1,299,496</u>	<u>-</u>
	<b><u>\$ 5,785,113</u></b>	<b><u>-</u></b>

## (n) Financial Instruments

## i) Exposure to credit risk

The book value 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 \$7,095,628 thousand, and \$21,070,691 thousand, respectively.

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

ii) Liquidity risk

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

iii) 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:TWD	\$ 174,166	31.650	5,512,358	850,848	29.805	25,359,514
USD:CNY	-	-	-	529,438	6.097	15,779,885
JPY: TWD	1,548	0.265	410	289,698	0.284	82,245
Financial liabilities						
Monetary items						
USD: TWD	774,828	31.650	24,623,310	1,171,623	29.805	34,920,233
USD:CNY	-	-	-	1,187,584	6.097	34,395,933
JPY: TWD	1,757,883	0.265	465,136	1,523,708	0.284	432,581

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets at fair value through profit or loss, derivative financial assets for hedging, trade and other receivables (including related parties), loans and borrowings, financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging and trade, accounts payable (including related parties) accrued expenses and other payables that are denominated in foreign currency. If other variables were held constant, a weakening (strengthening) 1% of each major foreign currency against the Group entities' functional currency as of December 31, 2014 and 2013 would have affected the net profit before tax \$194,757 thousand and \$295,271 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.

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

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

If all other variables were held constant, a weakening (strengthening) 0.1% of the interest rate against the Corporation entities' functional currency as of December 31, 2014 and 2013 would have affected the net profit before tax by \$10,905 thousand and \$37,856 thousand, 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:

Items	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 2,571,340	2,571,340	7,068,795	7,068,795
Financial assets measured at fair value through profit or loss – current	17,322	17,322	134,952	134,952
Available-for-sale financial assets– current	322,218	322,218	553,836	553,836
Notes and Accounts receivable	3,680,924	3,680,924	11,640,059	11,640,059
Other receivable	12,325	12,325	987,511	987,511
Other financial assets – current	40,000	40,000	312,375	312,375
Financial assets carried at cost – non-current	51,100	-	148,895	-
Refundable deposits	35,255	35,255	75,243	75,243
Other financial assets – non-current	365,144	365,144	149,025	149,025

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

Items	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Short-term borrowings	\$ 2,642,510	2,642,510	21,617,807	21,617,807
Financial liabilities measured at fair value through profit or loss – current	5,503	5,503	12,732	12,732
Notes and accounts payable (including related parties)	18,114,333	18,114,333	11,911,579	11,911,579
Other payables (including related parties)	3,574,334	3,574,334	5,612,541	5,612,541
Long-term borrowings (long-term borrowings due within one year)	8,262,127	8,262,127	16,238,050	16,238,050

2) Valuation techniques and assumptions used in fair value determination

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

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

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

E) The borrowed amount of long-term borrowings uses the carried floating interest rates as its fair value. However, the fair value of other borrowings is estimated by using the discounted cash flows. The discount rate is based on the interest rate of long-term loans that the Corporation could obtain.

3) Fair value hierarchy

The table below analyzes the 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
<b>Balance at of December 31, 2014</b>				
Financial assets measured at fair value through profit or loss	\$ -	17,322	-	17,322
Available-for-sale financial assets	<u>322,218</u>	<u>-</u>	<u>-</u>	<u>322,218</u>
	<u>\$ 322,218</u>	<u>17,322</u>	<u>-</u>	<u>339,540</u>
Financial liabilities measured at fair value through profit or loss	<u>\$ -</u>	<u>(5,503)</u>	<u>-</u>	<u>(5,503)</u>
<b>Balance at of December 31, 2013</b>				
Financial assets measured at fair value through profit or loss	\$ -	134,952	-	134,952
Available-for-sale financial assets	<u>553,836</u>	<u>-</u>	<u>-</u>	<u>553,836</u>
	<u>\$ 553,836</u>	<u>134,952</u>	<u>-</u>	<u>688,788</u>
Financial liabilities measured at fair value through profit or loss	<u>\$ -</u>	<u>(12,732)</u>	<u>-</u>	<u>(12,732)</u>

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

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

## (o) Financial risk management

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowing. The Group Corporate Treasury provides services to the business, coordinates access to domestic and international financial markets, manages and monitors the financial risks relating to the operations of the Group through internal risk 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 Group 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 Group's policies approved by the board of directors. Compliance with the policies and exposure limits are reviewed by the internal auditors.

## i) Market risk

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

- 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 Group's exposure to market risks or the manner in which these risks were managed and measured.

## A) Foreign currency risk

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

## B) Interest rate

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

(Continued)

**WINTEK CORPORATION****Notes to Financial Statements**

## 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 Group the current assets were \$6,853,619 thousand, which is less than the current liabilities amounting to \$33,130,655 thousand. Also, the Group incurred a loss on its total equity amounting to \$16,213,878 thousand.

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 Group 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, with the case number-2014, Serial No. 2, 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

**7. Related-party transactions**

## (a) Parent company and ultimate controlling party

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

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

## (b) Related-party transactions

Relationships between the Corporation and its subsidiaries.

	Country of incorporation	Ownership interest	
		December 31, 2014	December 31, 2013
Wintek Technology Cayman	British Cayman Islands	100.00%	100.00%
Wintek BVI	British Virgin Island	100.00%	100.00%
Masstop LLC	USA	100.00%	100.00%
United Win Investment Corporation	Republic of China	100.00%	100.00%
Wintek Electro-Optic	USA	100.00%	100.00%
Mactech Corporation (Note.1)	Republic of China	49.30%	49.30%
Wintek Central Europe	Germany	100.00%	100.00%
Wintek International Holding	British Cayman Islands	100.00%	100.00%
WinPower Optronics Corporation	Republic of China	30.83%	30.83%
Telestar Technology Corporation	Republic of China	100.00%	-
United Win Technology (Cayman ) Corporation (United Win Cayman)	British Cayman Islands	100.00%	100.00%
United Win (H.K.) Technology Limited (United Win H.K.)	Hong Kong	100.00%	100.00%
Wintek Technology (H.K.) Limited (Wintek Technology H.K.)	Hong Kong	100.00%	100.00%
Masstop Asia Pacific Ltd. (Masstop Asia)	Hong Kong	100.00%	100.00%
Wintek International (Samoa) Corporation (Wintek Samoa)	Samoa	100.00%	100.00%
Wintek Vietnam Co., Ltd.( Wintek Vietnam)	Vietnam	100.00%	100.00%
Wintek Far East (Cayman) Corporation (Wintek Far East)	British Cayman Islands	100.00%	100.00%
Wintek Technology (India) Private Limited (Wintek India)	India	100.00%	100.00%
United Win (China) Technology Limited (United Win China) (Note.2)	People's Republic of China	100.00%	100.00%
Wintek (China) Technology Ltd. (Wintek China)( Note.2)	People's Republic of China	100.00%	100.00%
Dongguan Masstop Liquid Crystal Display Co., Ltd. (Dongguan Masstop)( Note.2)	People's Republic of China	100.00%	100.00%
DongGuan Sheng Feng Import and Export Trading Co., Ltd. (DongGuan Sheng Feng)( Note.2)	People's Republic of China	100.00%	100.00%
DongGuan Innolife Electronic Technology Co., Ltd. (DongGuan Innolife)( Note.2)	People's Republic of China	100.00%	100.00%

(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. (b) Parent company and ultimate controlling party

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

(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:

	<b>2014</b>	<b>2013</b>
Key management		
Hannstar Display Corporation	\$ <u>          -          </u>	<u>          193          </u>

(Continued)

**WINTEK CORPORATION**

**Notes to Financial Statements**

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:

	<b>2014</b>	<b>2013</b>
Key management		
Hannstar Display Corporation	\$ <u><u>219,594</u></u>	<u><u>221</u></u>

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) 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 Group and some investees in china applied for reorganization one after another. Because the expressions of declaration used net amount method, the cooperation had the right to offset financial assets and liabilities. As a result, the accounts receivables had been offset by accounts payables.

1) Receivable due from relate parties

A) Accounts Receivables

	<b>December 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Accounts Receivable</b>	<b>Allowance for uncollectible accounts</b>	<b>Accounts Receivable</b>	<b>Accounts Receivable</b>
Dongguan Masstop	\$ 2,688,907	(2,688,907)	-	-
DongGuan Innolife	3,131	(3,131)	-	-
DongGuan Sheng Feng	<u>103</u>	<u>(10)</u>	<u>(2)</u>	<u>-</u>
	<b>\$ <u><u>2,692,141</u></u></b>	<b><u><u>(2,692,143)</u></u></b>	<b><u><u>(2)</u></u></b>	<b><u><u>16,751</u></u></b>

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

## B) Other Receivables

	December 31, 2014		December 31, 2013	
	Accounts Receivable	Allowance for uncollectible accounts	Accounts Receivable	Accounts Receivable
DongGuan Innolife	\$ 45	(45)	-	-
DongGuan Sheng Feng	17	(17)	-	-
	<u>\$ 62</u>	<u>(62)</u>	<u>-</u>	<u>-</u>

## 2) Payable to related parties

## A) Accounts Payable

	December 31, 2014	December 31, 2013
United Win China	\$ 5,268,656	-
Wintek China	1,567,799	-
Hannstar Display Corporation	231,140	221
DongGuan Sheng Feng	(2)	-
	<u>\$ 7,067,593</u>	<u>221</u>

## B) Other Payable

	December 31, 2014	December 31, 2013
Mactech	\$ 165,856	-
DongGuan Sheng Feng	29,825	-
Dongguan Masstop	1,515	-
Hannstar Display Corporation	17	-
Huang, Hieng - Hsiung	10,581	-
	<u>\$ 207,794</u>	<u>-</u>

(Continued)

## WINTEK CORPORATION

## Notes to Financial Statements

## iv) Loans provided

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

	December 31, 2014			December 31, 2013	
	Amount	Impairment loss	Net Value	Interest Rate	Amount
United Win China	1,157,835	(1,157,835)	-	2.06%~2.55%	-
Wintek China	1,203,300	(1,203,300)	-	2.53%~2.56%	-
Dongguan Masstop	<u>1,867,275</u>	<u>(1,867,275)</u>	<u>-</u>	2.06%~3.28%	<u>-</u>
	<u>\$ 4,228,810</u>	<u>(4,228,810)</u>	<u>-</u>		<u>-</u>

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

	December 31, 2014		December 31, 2013	
	Amount	Interest rate	Amount	Interest rate
Mactech	<u>\$ 60,000</u>	2.41%	<u>-</u>	

## v) Endorsements / Guarantees given to related parties

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

	December 31, 2014	December 31, 2013
Dongguan Masstop	<u>\$ 1,049,650</u>	<u>-</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>

(Continued)

**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	\$ 4,841,853	19,776,915
Prepayments for lease	Guarantee for borrowings	-	649,118
Investment properties	Guarantee for borrowings	237,516	44,969
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	122,220
		<u>\$ 5,484,513</u>	<u>20,712,442</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>4,401,386</u>

(c) Under sales agreements expiring between 2014 and 2020, the Group 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 \$111,296 thousand, respectively.

**10. Major Casualty Losses: None.**

**11. Significant Subsequent Events: None.**

(Continued)

**WINTEK CORPORATION**  
**Notes to Financial Statements**

**12. Other information**

## (a) Employee benefits, depreciation and amortization expenses

By function By item	April to June, 2014			April to June, 2013		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	6,148,380	1,201,590	7,349,970	6,255,176	1,112,537	7,367,713
Labor and health insurance	494,966	94,311	589,277	340,059	77,970	418,029
Pension	152,702	14,433	167,135	431,565	53,049	484,614
Others	3,054,634	103,374	3,158,008	3,403,020	214,827	3,617,847
Depreciation	4,538,295	281,275	4,819,570	8,129,712	371,736	8,501,448
Amortization	4,846	24,652	29,498	6,262	18,981	25,243

## (b) Reclassification

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

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

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 were less than the 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 financial statements in 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.

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**WINTEK CORPORATION****Notes to Financial Statements**

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.

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. As a result, the possibility of the Corporation's ability to continue as a going concern still depends on the following: (a) the result of rendering the ruling for reorganization (b) the reorganization plan that needs to be approved at the meeting of interest parties (c) the application of the reorganizational plan to be approved by the court and (d) the result of executing the reorganization plan.

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.

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**WINTEK CORPORATION****Notes to Financial Statements**

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

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

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**WINTEK CORPORATION**  
**Notes to Financial Statements**

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**

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

(a) Information about reporting segments

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

	<b>Touch Panels</b>	<b>2014 Other</b>	<b>Total</b>
Area revenue:			
Third-party customers	\$ <u>57,738,526</u>	<u>5,309,549</u>	<u>63,048,075</u>
Reported segment profit and loss	\$ <u>(51,367,070)</u>	<u>(6,497,197)</u>	<u>(57,864,267)</u>

	<b>Touch Panels</b>	<b>2013 Other</b>	<b>Total</b>
Area revenue:			
Third-party customers	\$ <u>68,995,725</u>	<u>7,402,000</u>	<u>76,397,725</u>
Reported segment profit and loss	\$ <u>(4,914,262)</u>	<u>(3,766,364)</u>	<u>(8,680,626)</u>

The information of reported segment of the Group was as follows:

	<b>2014</b>	<b>2013</b>
Reported segment profit and loss	\$ (57,864,267)	(8,680,626)
Total non-operating income and expenses	<u>15,139,812</u>	<u>(1,528,310)</u>
Income before income tax of continue operating segment	\$ <u>(42,724,455)</u>	<u>(10,208,936)</u>

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**WINTEK CORPORATION**

**Notes to Financial Statements**

The revenue of reported segment was caused by transactions with external customer. There are no inter- segment sales in 2014 and 2013.

Segment profit represents the profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, interest income, gain or loss on disposal of assets, foreign exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Geographical information

The three main operating areas of the Group - Taiwan, China and Vietnam.

The information of revenues from external customer was as follows:

<b>Geographical information</b>	<b>2014</b>	<b>2013</b>
Revenue from external customers:		
Taiwan	\$ 62,207,355	76,097,952
China	838,042	255,517
Other countries	2,678	44,256
Total	<u>\$ 63,048,075</u>	<u>76,397,725</u>

<b>Geographical information</b>	<b>2014</b>	<b>2013</b>
Revenue from external customers:		
Taiwan	\$ 6,322,153	12,532,208
China	3,434,533	29,535,719
Other countries	-	6,588,615
Total	<u>241,508</u>	<u>131,091</u>
	<u>\$ 9,998,194</u>	<u>48,787,633</u>

Non-current assets include property, plant and equipment, intangible assets, and other assets, not including financial instruments and deferred tax assets.

(Continued)

## WINTEK CORPORATION AND SUBSIDIARIES

## Notes to Financial Statements

## (c) Information about major customers

	2014	2013
Customer:		
C Company	\$ 24,911,038	15,593,417
A Company	6,763,782	7,380,247
B Company	4,124,660	16,117,771
D Company	<u>3,511,136</u>	<u>13,337,969</u>
	<u>\$ 39,390,616</u>	<u>52,429,404</u>