

(English Translation of Financial Report Originally Issued in Chinese)

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

March 31, 2015(Restated) and 2014(Restated)

(With Independent Auditors' Review Report Thereon)



安侯建業聯合會計師事務所

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Wintek Corporation (the Corporation) and its subsidiaries (the Group) as of March 31, 2015(Restated), and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015(Restated), and notes to the restated consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the restated consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$958,449 thousand , constituting 5.92% of consolidated total assets as of March 31, 2015, total liabilities amounting to \$1,941,272 thousand, constituting 5.95% of consolidated total liabilities as of March 31, 2015, and total comprehensive income (loss) amounting to \$33,649 thousand, constituting (36.48)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2015. Furthermore, as stated in Note 6(f), the other equity accounted investments of Wintek and its subsidiaries in its investee companies of \$162,148 thousand as of March 31, 2015(Restated), and its equity in net earnings on these investee companies of \$7,241 thousand for the three months ended March 31, 2015(Restated) were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Wintek Corporation and its subsidiaries as of March 31, 2015 (Restated) and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2015 (Restated) in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Material Uncertainty Related to Going Concern

As of March 31, 2015 (Restated), the Group's accumulated deficit was \$44,303,872 thousand, and the consolidated current liabilities which were more than the consolidated current assets amounting to \$25,947,063 thousand. The Corporation has issues on liquidity risk. The Corporation incurred a loss on its total equity amounting to \$16,451,833 thousand. We draw attention to Note 12(d) in the restated consolidated financial statements. The reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. The 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 Wintek Corporation and its subsidiaries' ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Other Matter- Reviewed Conclusion is Different From the Original For March 31, 2015

Because of material uncertainty related to going concern was not properly disclosed, and part of subsidiaries were not reviewed by independent auditors, we issued the qualified conclusion on May 4, 2016.

We draw attention to Note 12(d) in the consolidated financial statements. The reorganization plan was resolved through the second meeting of the creditors on July 3, 2018. The Court approved the reorganization plan on December 11, 2018.

Therefore, we replaced the restated consolidated financial statements opinion for March 31, 2015, which was different from previous figures.

Other Matter- Mention Other Auditors' Review Report

We did not review the financial statements of Wintek Corporation and its subsidiaries. Those financial statements were reviewed by other auditors. We issued qualified conclusion on May 8, 2014, because of the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors.



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

KPMG

Taipei, Taiwan (Republic of China)
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

March 31, 2015, December 31, 2014 and March 31, 2014

(Expressed in thousands of New Taiwan dollars)

Assets	March 31, 2015		December 31, 2014		March 31, 2014		Liabilities and Stockholders' Equity	March 31, 2015		December 31, 2014		March 31, 2014	
	(Restated)		(Restated)		(Restated)			(Restated)		(Restated)		(Restated)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents (Notes 6(a))	\$ 4,747,371	29	2,571,340	15	4,637,526	6	Short-term borrowings (Notes 6(h))	\$ 2,609,815	16	2,642,510	15	20,195,864	26
Financial assets at fair value through profit or loss (Note 6(b))	15,147	-	17,322	-	84,923	-	Financial liabilities at fair value through profit or loss (Notes 6(b))	5,882	-	5,503	-	31,055	-
Available-for-sale financial assets - current (Note 6(b))	349,579	2	322,218	2	411,484	1	Notes payable	10,092	-	19,267	-	90,284	-
Notes receivable (Notes 6(c))	40	-	227	-	8,016	-	Accounts payables	10,903,978	67	11,258,613	67	10,026,729	13
Accounts receivables (Notes 6(c))	1,419,778	10	3,680,699	23	10,024,379	13	Accounts payables – related (Note 7)	6,748,022	42	6,836,455	42	271	-
Other receivables (Notes 6(c))	4,815	-	12,325	-	338,122	1	Other payables	3,418,934	21	3,365,174	20	4,163,290	5
Inventories (Notes 6(d))	21,792	-	148,450	1	10,101,199	13	Other payables – related (Note 7)	256,846	2	257,196	2	-	-
Other financial assets (Notes 6(b))	103,000	1	40,000	-	176,026	-	Current tax liabilities	27,732	-	95,152	1	5,082	-
Other current assets	40,533	-	61,040	-	1,539,794	2	Provisions – current	17,000	-	17,000	-	13,424	-
	<u>6,702,055</u>	<u>42</u>	<u>6,853,621</u>	<u>41</u>	<u>27,321,469</u>	<u>36</u>	Current portion of long-term borrowings (Notes 6(h))	8,207,798	51	8,262,127	49	9,817,935	13
Non-current assets:							Other current liabilities	443,019	2	371,660	2	483,632	1
Financial assets carried at cost – non-current (Note 6(b))	30,087	-	51,100	-	148,895	-		<u>32,649,118</u>	<u>201</u>	<u>33,130,657</u>	<u>196</u>	<u>44,827,566</u>	<u>58</u>
Investments accounted for using equity method (Notes 6(e))	168,148	1	229,973	1	-	-	Long-term borrowings (Notes 6(h))	-	-	-	-	7,049,195	9
Property, plant and equipment (Notes 6(f))	8,208,368	51	8,588,290	52	45,577,320	59	Deferred tax liabilities (Note 6(j))	-	-	-	-	9,091	-
Investment properties, net (Notes 6(g))	234,890	1	237,516	1	228,710	-	Other non-current liabilities	1,693	-	3,337	-	475	-
Computer software	-	-	-	-	58,991	-		<u>1,693</u>	<u>-</u>	<u>3,337</u>	<u>-</u>	<u>7,058,761</u>	<u>9</u>
Goodwill	-	-	-	-	37,688	-	Total liabilities	<u>32,650,811</u>	<u>201</u>	<u>33,133,994</u>	<u>196</u>	<u>51,886,327</u>	<u>67</u>
Deferred tax assets (Notes 6(j))	-	-	-	-	1,274,836	2	Stockholders' equity attributable to parent (note 6(m)):						
Prepayments for equipment	10,256	-	-	-	1,011,398	1	Common stock	20,477,784	126	20,477,784	122	18,477,784	24
Refundable deposits	33,430	-	35,255	-	69,924	-	Capital surplus	6,806,380	42	6,807,615	40	15,604,397	20
Other financial assets – non-current (Notes 6(b))	395,875	2	365,144	2	152,350	-	Accumulated deficits	(44,303,872)	(273)	(44,142,642)	(262)	(10,054,226)	(13)
Long-term prepayments for lease	270,053	2	276,785	2	1,171,537	2	Other stockholders' equity	638,528	4	643,365	4	1,026,077	2
Other non-current assets (Note 6(i))	151,816	1	214,131	1	51,549	-	Non-controlling interests	(70,653)	-	(68,301)	-	164,308	-
	<u>9,496,923</u>	<u>58</u>	<u>9,998,194</u>	<u>59</u>	<u>49,783,198</u>	<u>64</u>	Total stockholders' equity	<u>(16,451,833)</u>	<u>(101)</u>	<u>(16,282,179)</u>	<u>(96)</u>	<u>25,218,340</u>	<u>33</u>
Total assets	\$ <u>16,198,978</u>	<u>100</u>	<u>16,851,815</u>	<u>100</u>	<u>77,104,667</u>	<u>100</u>	Total liabilities and stockholders' equity	\$ <u>16,451,978</u>	<u>100</u>	<u>16,851,815</u>	<u>100</u>	<u>77,104,667</u>	<u>100</u>

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WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three Months ended March 31, 2015 and 2014

(Expressed in thousands of New Taiwan dollars)

	For the Three Months ended March 31			
	2015(Restated)		2014(Restated)	
	Amount	%	Amount	%
Sales revenue	\$ 253,722	100	16,580,13	102
Less: Sales returns and allowances	<u>-</u>	<u>-</u>	<u>272,731</u>	<u>2</u>
Net sales revenue (Note 6(d))	<u>253,722</u>	<u>100</u>	<u>16,307,399</u>	<u>100</u>
Cost of goods sold	<u>198,900</u>	<u>78</u>	<u>16,619,786</u>	<u>102</u>
Gross profit	<u>54,822</u>	<u>22</u>	<u>(312,387)</u>	<u>(2)</u>
Operating expenses:				
Selling	160,952	63	142,548	1
Administrative	90,715	36	450,941	3
Research and development	40,990	16	337,281	2
	<u>292,657</u>	<u>115</u>	<u>930,770</u>	<u>6</u>
Operating income	<u>(237,835)</u>	<u>(93)</u>	<u>(1,243,157)</u>	<u>(8)</u>
Non-operating income and expenses:				
Interest income	4,308	-	14,585	-
Gains on fair value adjustment- Investment properties	-	-	1,641	-
Other income(Note 6 (o))	67,030	6	17,933	-
Gains on disposal of property, plant and equipment	-	-	2,629	-
Gains on disposal of investments	2,216	-	154,302	1
Foreign exchange (Loss) gains	335,738	132	(66,503)	2
Gains on financial assets (liabilities) measured at fair value through profit (loss)	(3,936)	(2)	231,149	1
Share of gains of subsidiaries (Note 6 (e))	7,241	3	-	-
Finance expense	(258,896)	(2)	(295,664)	(2)
Miscellaneous disbursements(Note6 (o))	<u>(5,617)</u>	<u>(1)</u>	<u>(821)</u>	<u>-</u>
	<u>148,084</u>	<u>59</u>	<u>(240,719)</u>	<u>(2)</u>
Income before income tax	<u>(89,751)</u>	<u>(34)</u>	<u>(1,483,876)</u>	<u>(10)</u>
Income tax expense (Note 6(l))	<u>-</u>	<u>-</u>	<u>7,300</u>	<u>-</u>
Consolidated net income	<u>(89,751)</u>	<u>(34)</u>	<u>(1,491,176)</u>	<u>(10)</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	(33,472)	(13)	448,191	3
Unrealized gain (loss)on available-for-sale financial assets	<u>28,635</u>	<u>11</u>	<u>(77,071)</u>	<u>-</u>
Other comprehensive income, net of tax	<u>(4,837)</u>	<u>(2)</u>	<u>371,120</u>	<u>3</u>
Comprehensive income	<u>\$ (94,588)</u>	<u>(36)</u>	<u>(1,120,056)</u>	<u>(7)</u>
Net income attributable to:				
Owners of the parent	\$ (87,399)	(33)	(1,502,093)	(10)
Non-controlling interests	<u>(2,352)</u>	<u>(1)</u>	<u>10,917</u>	<u>-</u>
	<u>\$ (89,751)</u>	<u>(34)</u>	<u>(1,491,176)</u>	<u>(10)</u>
Comprehensive income attributable to:				
Owners of the parent	\$ (92,236)	(36)	(1,131,150)	(7)
Non-controlling interests	<u>(2,352)</u>	<u>-</u>	<u>11,094</u>	<u>-</u>
	<u>\$ (94,588)</u>	<u>(36)</u>	<u>(1,120,056)</u>	<u>(7)</u>
Basic earnings per common share (expressed in New Taiwan dollars) (Note 6(n))	<u>\$ (0.04)</u>		<u>(0.81)</u>	

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WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Three Months ended March 31, 2015 and 2014

(Expressed in thousands of New Taiwan dollars)

	Stockholders' equity attributable to Owners of the parent					Total equity attributable to Owners of the parent	Non- controlling interests	Total stockholders' equity
	Common stock	Capital surplus	Accumulated deficit	Other stockholders' equity Unrealized gains Foreign currency translation difference	(losses) on available-for- sale financial assets			
Balance as of January 1, 2014 (Restated)	\$ 18,477,784	15,604,397	(8,706,924)	284,694	370,440	26,030,391	153,214	26,183,605
Effects of retrospective application and retrospective restatement	-	-	154,791	-	-	154,791	-	154,791
Equity at beginning of period after adjustments	<u>18,477,784</u>	<u>15,604,397</u>	<u>(8,552,133)</u>	<u>284,694</u>	<u>370,440</u>	<u>26,185,182</u>	<u>153,214</u>	<u>26,338,396</u>
Net income	-	-	(1,502,093)	-	-	(1,502,093)	10,917	(1,491,176)
Other comprehensive income	-	-	-	448,191	(77,248)	370,943	177	371,120
Total comprehensive income	-	-	(1,502,093)	448,191	(77,248)	(1,131,150)	11,094	(1,120,056)
Balance as of March 31, 2014(Restated)	<u>\$ 18,477,784</u>	<u>15,604,397</u>	<u>(10,054,226)</u>	<u>732,885</u>	<u>293,192</u>	<u>25,054,032</u>	<u>164,308</u>	<u>25,218,340</u>
Balance as of January 1, 2015 (Restated)	\$ 20,477,784	6,807,615	(44,142,642)	449,505	193,860	(16,213,878)	(68,301)	(16,282,179)
Net income	-	-	(87,399)	-	-	(87,399)	(2,352)	(89,751)
Other comprehensive income	-	-	-	(33,472)	28,635	(4,837)	-	(4,837)
Total comprehensive income	-	-	(87,399)	(33,472)	28,635	(92,236)	(2,352)	(94,588)
Changes in non-controlling interests	-	(1,235)	(73,831)	-	-	(75,066)	-	(75,066)
Balance as of March 31, 2015(Restated)	<u>\$ 20,477,784</u>	<u>6,806,380</u>	<u>(44,303,872)</u>	<u>416,033</u>	<u>222,495</u>	<u>(16,381,180)</u>	<u>(70,653)</u>	<u>(16,451,833)</u>

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WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three Months ended March 31, 2015 and 2014
(Expressed in thousands of New Taiwan dollars)

	For Three Months ended March 31	
	2015	2014
	(Restated)	(Restated)
Cash flows from operating activities:		
Income before income tax	\$ (89,751)	(1,483,876)
Adjustments:		
Adjustments for the non-cash effects of items of incomes and expenses:		
Depreciation expense	357,513	1,241,506
Amortization expense	34	7,639
Bad debt expense	158,161	-
Net gain on financial assets or liabilities at fair value through loss (profit)	3,936	(231,149)
Interest expense	258,896	295,664
Interest income	(4,308)	(14,585)
Share of profit of subsidiaries accounted for using equity method	(7,241)	-
Loss (gain) on disposal of property, plant and equipment	-	(2,659)
Gains on fair value adjustment- Investment properties	-	(1,641)
Gains on disposal of investments	(2,216)	(154,302)
Foreign exchange (Loss) gains	(29,413)	203,607
Amortization of long term prepayments for lease	1,712	6,355
Other	(52,506)	206
Total adjustments for the non-cash effects of items of incomes and expenses	<u>684,568</u>	<u>1,350,641</u>
Net change in operating assets and liabilities:		
Net change in operating assets:		
Decrease (increase) in Financial instruments held for trading	(1,382)	299,659
Decrease in notes receivable	187	2,851
Decrease in account receivable	2,102,607	1,650,397
Decrease in other receivable	7,591	653,282
Decrease (increase) in inventories	126,293	(735,742)
Decrease (increase) in other current assets	(6,985)	552,325
Total net change in operating assets	<u>2,228,311</u>	<u>2,422,772</u>
Net change in operating liabilities:		
Decrease in notes payable	(9,175)	(118,779)
Decrease in accounts payable	(443,021)	(1,738,184)
Increase (decrease) in other payable	133,480	(1,271,911)
Increase in other current liabilities	100,061	113,779
Decrease in provisions	-	(3,764)
Total net change in operating liabilities	<u>(218,655)</u>	<u>(3,018,859)</u>
Total net change in operating assets and liabilities	<u>2,009,656</u>	<u>(596,087)</u>
Total adjustments	<u>2,694,224</u>	<u>754,554</u>
Cash inflows from operating activities	2,604,473	(729,322)
Interest received	798	12,625
Interest paid	(307,030)	(300,810)
Income taxes paid	(115,274)	(64,224)
Net cash provided by operating activities	<u>2,182,967</u>	<u>(1,081,731)</u>
Cash flows from investing activities:		
Proceeds of the disposal of available-for-sale financial assets	-	226,269
Proceeds of the disposal of financial assets at cost	75,736	-
Acquisition of property, plant and equipment	-	(481,588)
Proceeds of the disposal of property, plant and equipment	9,521	20,135
Decrease in refundable deposits	1,780	5,712
Acquisition of intangible assets	-	(13,750)
Decrease (increase) in other financial assets	(63,000)	137,444
Increase in other non-current assets	62,330	(326)
Increase in prepayments for business facilities	(10,305)	(32,242)
Net cash used in investing activities	<u>76,062</u>	<u>(138,346)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(6,877)	(1,772,512)
Repayment of short-term bills payable	-	(39,999)
Proceeds of long-term borrowings	-	486,542
Repayment of long-term borrowings	(1,736)	(118,749)
Proceeds from (refund of) guarantee deposits received	(1,621)	(1,252)
Net cash used in financing activities	<u>(10,234)</u>	<u>(1,445,970)</u>
Effect of exchange rate changes	<u>(72,764)</u>	<u>234,778</u>
Net increase in cash and cash equivalents	2,176,031	(2,431,269)
Cash and cash equivalents, beginning of period	<u>2,571,340</u>	<u>7,068,795</u>
Cash and cash equivalents, end of period	<u>\$ 4,747,371</u>	<u>4,637,526</u>

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2015(Restated) and 2014(Restated)

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

1. Organization and Principal Activities

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

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

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

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

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

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WINTEK CORPORATION AND SUBSIDIARIES

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.

2. Approval Date and Procedures of the Consolidated Financial Statements

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

3. New Accounting Standards and Interpretations Adopted

- (a) Impact of the 2013 version of the International Financial Reporting Standard (“IFRS”) endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”)

The Group has adopted the 2013 version of the IFRS endorsed by the FSC (excluding IFRS 9 Financial instruments) in preparing consolidated financial statements starting 2015. The new standards and amendments issued by the International Accounting Standards Board (“IASB”) were as follows:

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

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Notes to Financial Statements

The Group has assessed that the 2013 version of the IFRS may not have significant impact on the consolidated financial statements except for the following:

i) IFRS 12 Disclosure of Interests in Other Entities

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

ii) IFRS 13 Fair Value Measurement

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

iii) IAS 1 Presentation of Financial Statements

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

(b) Impact of IFRS issued by the IASB but not yet endorsed by the FSC

The version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows:

New standards and amendments	Effective date per IASB
•IFRS 9 “ <i>Financial Instruments</i> ”	January 1, 2018
•Amended IFRS 10 and IAS 28 “ <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ”	Not yet approved by the IASB
•Amended IFRS 10, IFRS 12 and IFRS 28 “ <i>The application of the investment entities exceptions</i> ”	January 1, 2016
•Amended IFRS 11 “ <i>Accounting for acquisition of interests in joint operations</i> ”	January 1, 2016
•IFRS 14 “ <i>Regulatory Deferral Accounts</i> ”	January 1, 2016
•IFRS 15 “ <i>Revenue from contracts with customers</i> ”	January 1, 2018
•IFRS 16 “ <i>Lease</i> ”	January 1, 2019
•Amended IAS 1 “ <i>Disclosure-Initiative</i> ”	January 1, 2016

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

New standards and amendments	Effective date per IASB
• Amended IAS 16 and IAS 38 “ <i>Clarification of acceptable methods of depreciation and amortization</i> ”	January 1, 2016
• Amended IAS 16 and IAS 41 “ <i>Agriculture: bearer plants</i> ”	January 1, 2016
• Amended IAS 19 “ <i>Defined Benefit Plans: Employee Contributions</i> ”	July 1, 2014
• Amended IAS 27 “ <i>Equity Method in Separate Financial Statements</i> ”	January 1, 2016
• Amended IAS 36 “ <i>Recoverable Amount Disclosures for Non-Financial Assets</i> ”	January 1, 2014
• Amended IAS 39 “ <i>Novation of Derivatives and Continuation of Hedge Accounting</i> ”	January 1, 2014
• Annual Improvements: 2010-2012 and 2011-2013 cycles	July 1, 2014
• Annual Improvements to IFRS: 2012-2014 cycles	January 1, 2016
• Amended 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 operations. The related impact will be disclosed following the completion of its assessments.

4. Significant Accounting Policies

(a) Statement of Compliance

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

Except as described in the following paragraph, the significant accounting policies adopted in the preparation of the interim consolidated financial statements are applied consistently with those of the consolidated financial statements for the year ended December 31, 2014. For other related information, please refer to the Note (4) of the consolidated financial statements for the year ended December 31, 2014. In addition, the consolidated financial statements will fully adopt the 2013 IFRS version that was approved and endorsed by the Financial Supervisory Commission of the Republic of China commencing 2015.

For the impact of adopting the IFRS 2013 version, which was endorsed by the FSC, and will take effect beginning 2015, please refer to Note (3)(a).

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(b) Basis of consolidation

i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		March 31, 2014	Note
			March 31, 2015	December 31, 2014		
Wintek Corporation	Wintek (B.V.I.) Corporation (“Wintek BVI”)	Overseas reinvested holding company	100.00%	100.00%	100.00%	
Wintek Corporation	Masstop LLC	Overseas reinvested holding company	100.00%	100.00%	100.00%	(5)
Wintek Corporation	United Win Investment Corporation (“United Win Investment”)	Investment	100.00%	100.00%	100.00%	(5)
Wintek Corporation	Wintek Electro-Optics Corporation (“Wintek Electro-Optics”)	Sells LCD/LCM products	100.00%	100.00%	100.00%	(4)(5)
Wintek Corporation	Mactech Corporation (“Mactech”)	Manufactures machinery and equipment	23.99%	49.30%	49.30%	(1)
Wintek Corporation	Wintek (Central Europe) GmbH (“Wintek Central Europe”)	Sells LCD/LCM products	100.00%	100.00%	100.00%	(4)(5)
Wintek Corporation	Wintek International Holding (Cayman) Corporation (“Wintek International Holding”)	Overseas reinvested holding company	100.00%	100.00%	100.00%	(5)
Wintek Corporation	WinPower Optronics Corporation (“WinPower”)	Designs ICs	30.83%	30.83%	30.83%	(4)(5)
Wintek Corporation	Telestar Technology Corporation (“Telestar”)	Designs ICs	100.00%	100.00%	-	(2) (4)(5)
Wintek Technology Cayman	United Win Technology (Cayman) Corporation (“United Win Cayman”)	Overseas reinvested holding company	100.00%	100.00%	100.00%	
United Win Cayman	United Win (H.K.) Technology Limited (“United Win HK”)	Overseas reinvested holding company	100.00%	100.00%	100.00%	
United Win Cayman	Wintek Technology (H.K.) Limited (“Wintek Technology HK”)	Overseas reinvested holding company	100.00%	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%	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%	83.04%	(3)
Masstop LLC	Masstop Asia Pacific Ltd. (“Masstop”)	Overseas reinvested holding company and seller of LCD/LCM products	100.00%	100.00%	100.00%	(5)
Masstop	Dongguan Masstop Liquid Crystal Display Co., Ltd. (“Dongguan Masstop”)	Manufactures and sells LCM and touch panel products	100.00%	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%	100.00%	(3)
Dongguan Masstop	DongGuan Innolife Electronic Technology Co., Ltd. (“Innolife”)	Manufactures and sells owned-brand products	100.00%	100.00%	100.00%	(3)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2015	December 31, 2014	March 31, 2014	
Dongguan Masstop	Wintek (China) Technology Ltd. ("Wintek China")	Manufactures and sells electronic components, accessories and related products	16.96%	16.96%	16.96%	(3)
Wintek BVI	Wintek International (Samoa) Corporation ("Wintek Samoa")	Overseas reinvested holding company	100.00%	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%	100.00%	
Wintek International Holding	Wintek Far East (Cayman) Corporation ("Wintek Far East")	Overseas reinvested holding company	82.31%	82.31%	82.31%	(5)
Wintek Electro-Optics	Wintek Far East	Overseas reinvested holding company	17.69%	17.69%	17.69%	(5)
Wintek Far East	Wintek India	Manufactures and sells LCD/LCM products	100.00%	100.00%	100.00%	(4)(5)

- 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.

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Notes to Financial Statements

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 the comprehensive loss attributable to the owners of the 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 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.
- 5) Non-significant consolidated subsidiaries, based solely on the unreviewed financial statements

ii) List of subsidiaries not in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2015	March 31, 2014	March 31, 2014	
Wintek Corporation	Mactech Corporation ("Mactech")	Manufactures machinery and equipment	23.99%	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%	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%	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%	100.00%	(1)
Dongguan Masstop	DongGuan Sheng Feng Import and Export Trading Co., Ltd. ("DongGuan Innolife")	Import and export trading	100.00%	100.00%	100.00%	(1)
Dongguan Masstop	DongGuan Innolife Electronic Technology Co., Ltd. ("Innolife")	Manufactures and sells owned-brand products	100.00%	100.00%	100.00%	(1)
Dongguan Masstop	Wintek (China) Technology Ltd. ("Wintek China")	Manufactures and sells electronic components, accessories and related products	16.96%	16.96%	16.96%	(1)

- (1) Please refer to (i).

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Notes to Financial Statements

(c) Employee benefits

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

(d) Income taxes

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

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

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

(e) Voluntary changes in accounting policies and accounting estimates

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

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

2014.3.31 Balance sheets

	As Originally Stated	Influences	Restated
Investment properties	\$ 68,344	160,366	228,710
Accumulated deficits	(10,211,133)	156,907	(10,054,226)
Exchange differences on translation of foreign subsidiaries, before income	729,426	3,459	732,885

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Notes to Financial Statements

Statements of comprehensive income

	For Three Months ended March 31, 2014		
	As Originally Stated	Influences	Restated
Administrative expenses	\$ 451,416	(475)	450,941
Gains on fair value adjustment- Investment properties	-	1,641	1,641
Basic earnings per common share	(0.81)	-	(0.81)

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

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

In the preparation of the consolidated quarterly financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with the consolidated financial statements for the year ended December 31, 2014.

6. Significant Account Disclosures

Except as described in the following paragraphs, there were no significant differences with those disclosed in the annual consolidated financial statements for the year ended December 31, 2014. Please refer to the Note (6) of the annual consolidated financial statements in 2014 for other related information.

(a) Cash and cash equivalents

	March 31, 2015	December 31, 2014	March 31, 2014
Cash on hand	\$ 804,696	311,112	12,804
Checking and savings accounts	1,508,675	1,623,668	2,736,290
Time deposits	<u>2,434,000</u>	<u>636,560</u>	<u>1,888,432</u>
	<u>\$ 4,747,371</u>	<u>2,571,340</u>	<u>4,637,526</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

As of March 31, 2015, December 31 and March 31, 2014, the cash and cash equivalents are pledged as collateral, please refers to Note 6(b) and Note 8.

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

(b) Financial assets and liabilities

	March 31, 2015	December 31, 2014	March 31, 2014
Current:			
Financial assets at fair value through profit or loss			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	\$ -	-	41,014
Swap contracts	<u>15,147</u>	<u>17,322</u>	<u>43,909</u>
	<u>\$ 15,147</u>	<u>17,322</u>	<u>84,923</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	\$ -	-	20,855
Interest rate swap contracts	<u>5,882</u>	<u>5,503</u>	<u>10,200</u>
	<u>\$ 5,882</u>	<u>5,503</u>	<u>31,055</u>
Available-for-sale financial assets			
Local investments			
Publicly listed stocks	\$ 349,579	322,218	388,496
Beneficiary certificates – funds	<u>-</u>	<u>-</u>	<u>22,988</u>
	<u>\$ 349,579</u>	<u>322,218</u>	<u>411,484</u>
Other financial assets			
Mortgaged time deposits	\$ 40,000	40,000	24,269
Time deposits with original maturities of more than three months	63,000	-	89,903
Restricted deposits	<u>-</u>	<u>-</u>	<u>61,854</u>
	<u>\$ 103,000</u>	<u>40,000</u>	<u>176,026</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	March 31, 2015	December 31, 2014	March 31, 2014
Non-current:			
Financial assets carried at cost:			
Unlisted stock			
Andes Technology Corporation (“Andes”)	\$ 14,009	35,022	-
Kingpak Technology Corporation (“Kingpak”)	-	-	123,443
Hsin Chu Golf Country Club Co., Ltd.	9,620	9,620	9,260
Integrated Solutions Technology, Inc. (“Integrated Solutions”)	6,818	6,818	6,818
Uniflex Technology Inc. (“Uniflex”)	-	-	6,434
Taichung International Country Club	-	-	2,940
	<u>\$ 30,087</u>	<u>51,100</u>	<u>148,895</u>
Other financial assets			
Restricted deposits	\$ 395,875	365,144	121,880
Mortgaged time deposits	-	-	30,470
	<u>\$ 395,875</u>	<u>365,144</u>	<u>152,350</u>

- 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 March 31, 2015, outstanding swap contracts are as follows:

		March 31, 2015	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD /USD	April 21,2015 to April 23, 2015	TWD 292,612/USD 9,800
		December 31, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD /USD	April 21,2015 to April 23, 2015	TWD 292,612/USD 9,800
		March 31, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD /USD	April 22, 2014 to December 29, 2014	TWD 8,478,768/USD 281,200

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

- 2) As of March 31, 2015, the outstanding forward exchange contracts that do not qualify for hedging accounting are as follows:

		March 31, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD/USD	May 16, 2014 to June 12, 2014	TWD 3,019,665/USD 100,000
Sell/buy	USD/CNY	April 15, 2014 to July 16, 2014	USD 44,454/CNY 269,277
Sell/buy	CNY/USD	April 15, 2014 to July 16, 2014	CNY269,207/USD 44,454
Sell/buy	JYP/TWD	April 14, 2014 to June 26, 2014	JYP 70,000 /USD 20,672

- 3) As of March 31, 2015, outstanding interest rate swap contracts are as follows:

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

- 4) As of March 31, 2015, outstanding option contracts are as follows:

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

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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

Kingpak reduced its capital and returned 50% share capital to the Corporation in June 2014. The Corporation then provided 30% shares of Kingpak to swap the share of iBMi Technology Inc. with 1.18:1 conversion ratio in August 2014. iBMi Technology Inc. is a listed company and the Group reclassified the swapped parts to available-for-sale financial assets. The Group 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 March 31, 2015, December 31 and March 31, 2014, financial assets are pledged as collateral, please refers to Note 8.

(c) Notes and accounts receivable

	March 31, 2015	December 31, 2014	March 31, 2014
Notes receivables	\$ 40	227	8,016
Accounts receivable	4,875,763	6,988,686	10,050,540
Other receivables	64,453	71,962	338,122
Less: allowance for doubtful accounts	<u>(3,515,623)</u>	<u>(3,367,626)</u>	<u>(26,161)</u>
	<u>\$ 1,424,633</u>	<u>3,693,249</u>	<u>10,370,517</u>

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

The movements in allowance for uncollectible accounts receivable, notes receivables and other receivables for the three months ended March 31, 2015 and 2014 were as follows:

	March 31, 2015	March 31, 2014
Balance at January 1	\$ 3,367,626	26,127
Impairment loss recognized	158,161	-
Effect of movement in exchange rates	<u>(10,164)</u>	<u>34</u>
Balance at December 31	<u>\$ 3,515,623</u>	<u>26,161</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

As of March 31, 2015 and 2014, the Group recognized an impairment loss of \$8,563 thousand, for each year, on its accounts receivable. These amounts mainly pertained to account receivables from customers that were in liquidation. The Group has no collateral for these receivables.

Factored accounts receivable were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
March 31, 2014					
Ta Chong Bank	US\$ 33,425	US\$ 33,107	US\$ 265	2.56-2.83	US\$ 90,000
Bank of Taiwan	<u>84,133</u>	<u>81,902</u>	<u>2,008</u>	2.02-2.65	<u>80,000</u>
	US\$ <u>117,558</u>	US\$ <u>115,009</u>	US\$ <u>2,273</u>		US\$ <u>170,000</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 March 31, 2015 and 2014, the Corporation had issued promissory notes to the banks, with the aggregate amounts of US\$0 thousand and US\$170,000 thousand, respectively, as collateral.

(d) Inventories

	March 31, 2015	December 31, 2014	March 31, 2014
Finished goods	\$ 614,517	699,172	2,789,788
Less: provision for obsolescence and devaluation	<u>(612,428)</u>	<u>(630,099)</u>	<u>(631,434)</u>
	<u>2,089</u>	<u>69,073</u>	<u>2,158,354</u>
Work in process	1,231,742	1,426,671	6,886,664
Less: provision for obsolescence and devaluation	<u>(1,227,570)</u>	<u>(1,350,317)</u>	<u>(1,224,391)</u>
	<u>4,172</u>	<u>76,354</u>	<u>5,662,273</u>
Raw materials and supplies	1,068,794	1,061,848	2,863,520
Less: provision for obsolescence and devaluation	<u>(1,053,263)</u>	<u>(1,058,825)</u>	<u>(650,538)</u>
	<u>15,531</u>	<u>3,023</u>	<u>2,212,982</u>
Commodity	1,802	1,822	67,590
Less: provision for obsolescence and devaluation	<u>(1,802)</u>	<u>(1,822)</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>67,590</u>
	\$ <u>148,450</u>	<u>148,450</u>	<u>10,101,199</u>

The costs of inventories recognized as cost of goods sold for the three months ended March 31, 2015 and 2014 were \$198,000 thousand and \$16,619,786 thousand, respectively.

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

Due to selling the inventories, the Group recognized the reversal of provision for obsolescence and devaluation, which decreased the cost of sales by \$146,000 thousand for the three months ended March 31, 2015. The write-down of inventories for the three months ended March 31, 2014 increased the cost of sales by \$139,595 thousand.

As of March 31, 2015, December 31 and March 31, 2014, none of the inventories of the Group were pledged as collateral.

(e) Investments accounted for using equity method

- i) The Group's financial information for investments accounted for using equity method that are individually insignificant was as follows:

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

	March 31, 2015	December 31, 2014	March 31, 2014
Associate - Mactech	\$ <u>162,148</u>	<u>229,973</u>	<u>-</u>

In January 2015, Mactech conducted a cash capital increase by issuing new stocks. However, the Corporation did not participate in this cash capital increase in accordance with the proportion of its shareholding percentage, which resulted in a decrease in the shareholding percentage from 49.30% to 23.99%

The share of gain in the investment in associate as of March 31, 2014 and 2013 were \$7,241 thousand and \$0 thousand, respectively. These amounts were recognized in accordance with the financial statements of investments, which were not reviewed by independent accountants.

As of March 31, 2015, December 31 and March 31, 2014, none of the investments accounted for using equity method of the Group were pledged as collateral.

(f) Property, plant and equipment

	Land	Buildings and construction	Machinery and equipment	Transportat ion equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Carrying amount:									
Balance at January 1, 2015	\$ <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 March 31, 2015	\$ <u>2,742,422</u>	<u>2,673,045</u>	<u>636,518</u>	<u>1,093</u>	<u>2,628</u>	<u>-</u>	<u>3,041</u>	<u>2,149,621</u>	<u>8,208,368</u>
Balance at January 1, 2014	\$ <u>2,872,438</u>	<u>14,989,225</u>	<u>20,471,303</u>	<u>26,471</u>	<u>90,772</u>	<u>211,136</u>	<u>4,220,068</u>	<u>3,158,162</u>	<u>46,039,575</u>
Balance at March 31, 2014	\$ <u>2,872,438</u>	<u>15,059,613</u>	<u>20,092,410</u>	<u>24,459</u>	<u>84,834</u>	<u>182,307</u>	<u>4,027,732</u>	<u>3,233,524</u>	<u>45,577,320</u>

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements**

i) There were no significant additions, disposal, or recognition and reversal of impairment losses of Property, plant and equipment for the three months ended March 31, 2015 and 2014. The information on depreciation for the period is discussed in Note 12. Please refer to the annual consolidated financial statements in 2014 for other related information.

ii) 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.

iii) 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.

iv) Interest capitalized

Interest capitalized for purchasing property, plant, and equipment for the three months ended March 31, 2015 and 2014 amounted to \$303 thousand and \$11,397 thousand, respectively. The interest capitalization rates were 2.06%~2.67% and 2.41%~5.91%, respectively.

v) Pledged as collateral

As of March 31, 2015, December 31 and March 31, 2014, the information of the property, plant and equipment pledged as collateral please refer to note 8.

vi) 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.

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(g) Investment properties

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

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

	March 31, 2015	December 31, 2014	March 31, 2014
Not later than one year	\$ 3,389	3,378	3,629
Later than one year and not later than five years	<u>847</u>	<u>1,689</u>	<u>4,100</u>
	<u>\$ 4,236</u>	<u>5,067</u>	<u>7,729</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:

	March 31, 2015	December 31, 2014	March 31, 2014
Expected future cash inflows	\$ 236,037	238,675	229,830
Expected future cash outflows	<u>(1,147)</u>	<u>(1,159)</u>	<u>(1,120)</u>
Expected future cash inflows, net	<u>\$ 234,890</u>	<u>237,516</u>	<u>228,710</u>
Discount rate (%)	<u>2.625%</u>	<u>2.625%</u>	<u>2.625%</u>

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

The investment property had been leased out under operating leases. The rental income generated for the three months ended March 31, 2015 and 2014 were \$848 thousand and \$1,643 thousand, respectively.

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

WINTEK CORPORATION AND SUBSIDIARIES

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approach. The expected future cash outflows incurred by investment property included expenditure such as insurance premium, maintenance costs and others.

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 March 31, 2014 were as follows and The Group's leased lands in March 31, 2015 only included Wintek Vietnam.

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

(i) Long-term and short-term borrowings

i) Short-term borrowings

	March 31, 2015	December 31, 2014	March 31, 2014
Unsecured loans	\$ 2,609,815	2,642,510	19,012,807
Secured loans	-	-	1,183,057
	<u>\$ 2,609,815</u>	<u>2,642,510</u>	<u>20,195,864</u>
Interest rate (%)			
Unsecured loans	<u>1.47~2.30</u>	<u>1.47~2.30</u>	<u>1.07~3.65</u>
Secured loans	<u>-</u>	<u>-</u>	<u>3.86~6.00</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

ii) Long-term borrowings

	Interest rate	March 31, 2015	December 31, 2014	March 31, 2014
Secured loans	1.65%~5.91%	\$ 8,027,839	8,082,948	10,231,350
Unsecured loans	2.17%~3.15%	179,959	179,179	6,251,040
Other loans	3.06%~6.03%	-	-	384,740
		8,207,798	8,262,127	16,867,130
Less: current portion		(8,207,798)	(8,262,127)	(9,817,935)
		<u>\$ -</u>	<u>-</u>	<u>7,049,195</u>

As of March 31, 2015, the Corporation recognized its borrowings default interest and penalty of \$43,165 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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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, the syndicate banks had agreed to waive its right to demand immediate payment, with the approval issuance date of March 4, 2014. Thus, the loan had not been classified as a current liability as of March 31, 2014.

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) particularly maintain its debt to asset, receivables turnover and debt coverage ratios and (b) have annual gross sales of not less than CNY2,000,000 thousand after the third year of the loan agreement signing

As of the March 31, 2014, Wintek China did not breach the above loan agreement.

(j) Employee benefits

i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2014 and 2013.

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

	For the Three Months Ended March 31,	
	2015	2014
Operating costs	\$ 11	477
Operating expenses	(841)	123
Total	<u>\$ (830)</u>	<u>600</u>

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Notes to Financial Statements

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 \$3,137 thousand and \$41,391 thousand for the three months ended March 31, 2015 and 2014, 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 \$138 thousand and \$72,730 thousand for the three months ended March 31, 2015 and 2014, respectively.

(k) Income taxes

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

	For the Three Months Ended March 31,	
	2015	2014
Current tax expense		
Current period	\$ -	7,843
Prior years income tax adjustment	<u>-</u>	<u>670</u>
	-	8,513
Deferred tax expense		
Recognition and reversal of temporary differences	<u>-</u>	<u>(1,213)</u>
Income tax expense	<u>\$ -</u>	<u>7,300</u>

ii) No income tax was recognized directly in equity for the three months ended March 31, 2015 and 2014.

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

	March 31, 2015	December 31, 2014	March 31, 2014
Unappropriated earnings retained after January 1, 1998	\$ <u>(44,303,872)</u>	<u>(44,142,642)</u>	<u>(10,054,226)</u>
ICA balance	\$ <u>250,523</u>	<u>250,523</u>	<u>249,264</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	2014 (actual)	2013 (actual)
Creditable ratio for earnings distribution	<u> </u> %	<u> </u> %

iv) In November 2010, the Industrial Development Bureau (IDB) approved the tax credits for Emerging, Important and Strategic Industries. The credits can be used to reduce the Corporation's tax obligations for five years beginning 2013.

v) Income tax returns through 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 March 31, 2015, December 31, 2014 and March 31, 2014, the total value of the nominal ordinary shares amounted to \$25,000,000 thousand. In addition, \$20,477,784 thousand, \$20,477,784 thousand and \$18,477,784 thousand, respectively, were issued. Face value of each share is \$10.

2) Common share issuance through private placement

In October 2006, the Corporation issued 32,444 thousand common shares at a par value of NT\$10.00 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 March 31, 2015, 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

WINTEK CORPORATION AND SUBSIDIARIES

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 March 31, 2015, the GDR holders had exchanged GDRs amounting to US\$792,357 thousand, representing 1,047,091 thousand common shares, and the total outstanding GDRs were equal to 6 thousand common shares, or 0.0003% of the total capital shares issued.

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

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

ii) Capital Surplus

	March 31, 2015	December 31, 2014	March 31, 2014
Additional paid-in capital	\$ 6,757,584	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	48,478
Recognize cash capital increase by investment company	318	318	318
Total	<u>\$ 6,806,380</u>	<u>6,807,615</u>	<u>15,604,397</u>

WINTEK CORPORATION AND SUBSIDIARIES**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.

As of March 31, 2015, due to the change in the shareholding percentage of the investee, the Corporation reversed capital surplus and retained earnings amounting to \$1,235 thousand and \$73,831 thousand, respectively.

iii) Legal reverse

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 reverse

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

v) Retained Earnings and Dividends Policy

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

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

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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

According to the amended Company Act, which was announced in May 2015, employee bonuses and the directors' and supervisors' remuneration are no longer subject to earnings distribution. The Company will amend the Articles of Incorporation before the deadline specified by the authorities.

For the three months ended March 31, 2015 and 2014, the Corporation had no profits; thus, no employee bonuses and remuneration to directors and supervisors were recognized.

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

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

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

vi) Other equity

	Foreign exchange differences arising from foreign operations	available-for- sale financial assets	Total
Balance at January 1, 2015	\$ 449,505	193,860	643,365
Foreign exchange differences	(33,472)	-	(33,472)
Unrealized gains and losses from available-for-sale financial assets	-	28,635	28,635
Balance at March 31, 2015	\$ <u>416,033</u>	<u>222,495</u>	<u>638,528</u>
Balance at January 1, 2014	\$ 284,694	370,440	655,134
Foreign exchange differences	448,191	-	448,191
Unrealized gains and losses from available for sale financial assets	-	(77,248)	(77,248)
Balance at March 31, 2014	\$ <u>732,885</u>	<u>293,192</u>	<u>1,026,077</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(m) Employee bonuses and the directors' and supervisors' remuneration

For the three months ended March 31, 2015, the Corporation had no profits; thus, no employee bonuses and remuneration to directors and supervisors were recognized.

(n) Share-based payment arrangements

There were no significant changes in share-based payment arrangements for the three months ended March 31, 2015 and 2014. Please refer to the annual consolidated financial statements in 2014 for other related information.

(o) Earnings per share

Basic earnings per common share:

	For the Three Months Ended	
	March 31,	
	2015	2014
Comprehensive income	\$ <u>(87,399)</u>	<u>(1,502,093)</u>
Number of shares(In Thousands)	<u>2,047,784</u>	<u>1,847,778</u>
Basic earnings per common share(NT\$)	\$ <u>(0.04)</u>	<u>(0.81)</u>

(p) Financial Instruments

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of March 31, 2015 and 2014 and December 31, 2014, the maximum amount exposed to credit risk were \$7,099,122 thousand, \$16,051,645thousand and \$7,041,628 thousand, respectively.

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.

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

iii) Market risk

1) Exposure to foreign currency risk

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

	March 31, 2015			December 31, 2014			March 31, 2014		
	Foreign Currency	Exchange Rate	New Taiwan Dollar	Foreign Currency	Exchange Rate	New Taiwan Dollar	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets									
Monetary items									
USD:TWD	\$ 87,849	31.300	2,788,078	174,166	31.650	5,512,358	848,073	30.470	25,840,792
USD:CNY	-	-	-	-	-	-	682,502	6.152	20,795,823
JPY: TWD	1,137	0.260	296	1,548	0.265	410	106,867	0.296	31,633
Financial liabilities									
Monetary items									
USD:TWD	664,784	31.300	20,807,728	774,828	31.650	24,623,310	1,207,112	30.470	36,780,701
USD:CNY	-	-	-	-	-	-	1,304,095	6.152	39,735,787
JPY:TWD	1,674,922	0.260	436,150	1,757,883	0.265	465,136	1,142,682	0.296	338,234

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 March 31, 2015 and 2014 would have affected the net profit before tax \$184,865 thousand and \$301,865 thousand, respectively.

iv) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rate on 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.

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Notes to Financial Statements

If all other variables were held constant, a weakening (strengthening) 0.1% of the interest rate against the Corporation entities' functional currency as of March 31, 2015 and 2014 would have affected the net profit before tax by \$10,818 thousand and \$37,063 thousand, respectively.

v) Fair value information

1) The kinds of financial instruments and fair value

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

	Book value	March 31, 2015 Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 15,147	-	15,147	-	15,147
Available-for-sale financial assets	349,579	349,579	-	-	349,579
	<u>364,726</u>	<u>349,579</u>	<u>15,147</u>	<u>-</u>	<u>364,726</u>
Loans and receivables					
Cash and cash equivalents	4,747,371	-	-	-	-
Financial asset at cost	30,087	-	-	-	-
Notes and Accounts receivable	1,419,818	-	-	-	-
Other receivables	4,815	-	-	-	-
Other financial assets	498,875	-	-	-	-
Guarantee deposits paid	33,430	-	-	-	-
	<u>6,734,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>7,099,122</u>	<u>349,579</u>	<u>15,147</u>	<u>-</u>	<u>364,726</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 5,882	-	5,882	-	5,882
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	2,609,815	-	-	-	-
Notes and accounts payable (including related parties)	17,662,092	-	-	-	-
Other payables (including related parties)	3,675,780	-	-	-	-
Long-term borrowings (including current portion)	8,207,798	-	-	-	-
	<u>32,155,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>32,161,367</u>	<u>-</u>	<u>5,882</u>	<u>-</u>	<u>5,882</u>

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	December 31, 2014				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 17,322	-	17,322	-	17,322
Available-for-sale financial assets	<u>322,218</u>	<u>322,218</u>	<u>-</u>	<u>-</u>	<u>322,218</u>
	<u>339,540</u>	<u>322,218</u>	<u>17,322</u>	<u>-</u>	<u>339,540</u>
Loans and receivables					
Cash and cash equivalents	2,517,340	-	-	-	-
Financial asset at cost	51,100	-	-	-	-
Notes and Accounts receivable	3,680,924	-	-	-	-
Other receivables	12,325	-	-	-	-
Other financial assets	405,144	-	-	-	-
Guarantee deposits paid	<u>35,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,702,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,041,628</u>	<u>322,218</u>	<u>17,322</u>	<u>-</u>	<u>339,540</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 5,503	-	5,503	-	5,503
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	2,642,510	-	-	-	-
Notes and accounts payable (including related parties)	18,114,333	-	-	-	-
Other payables (including related parties)	3,574,334	-	-	-	-
Long-term borrowings (including current portion)	<u>8,262,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>32,593,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 32,598,807</u>	<u>-</u>	<u>5,503</u>	<u>-</u>	<u>5,503</u>
March 31, 2014					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 84,923	-	84,923	-	84,923
Available-for-sale financial assets	<u>411,484</u>	<u>411,484</u>	<u>-</u>	<u>-</u>	<u>411,484</u>
	<u>496,407</u>	<u>411,484</u>	<u>84,923</u>	<u>-</u>	<u>496,407</u>
Loans and receivables					
Cash and cash equivalents	4,637,526	-	-	-	-
Financial asset at cost	148,895	-	-	-	-
Notes and Accounts receivable	10,032,395	-	-	-	-
Other receivables	338,122	-	-	-	-
Other financial assets	328,376	-	-	-	-
Guarantee deposits paid	<u>69,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>15,555,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,051,645</u>	<u>411,484</u>	<u>84,923</u>	<u>-</u>	<u>496,407</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	March 31, 2014				Total
	Book value	Fair Value			
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 31,055	-	31,055	-	31,055
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	20,195,864	-	-	-	-
Notes and accounts payable (including related parties)	10,117,284	-	-	-	-
Other payables (including related parties)	4,163,290	-	-	-	-
Long-term borrowings (including current portion)	16,867,130	-	-	-	-
	<u>51,343,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,374,623</u>	<u>-</u>	<u>31,055</u>	<u>-</u>	<u>31,055</u>

2) Valuation techniques and assumptions used in fair value determination

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

- A) The fair value of short-term financial instruments is determined using the carrying amount on the balance sheet. The carrying amount is a reasonable approximation of fair value since these instruments will mature soon. This method shall apply to cash and cash equivalents, trade and other receivables/payables, current tax assets, and refundable deposits/deposit received.
- B) The fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market prices. If the market for a financial instrument is not active, the fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants, which are readily available to the Group.
- C) Investments accounted for using equity method was investments in non-public stocks, which cannot be reliably measured and whose fair value cannot be estimated as there is no quoted price in the market.
- D) The fair value of financial assets at cost was investments in non-public stocks, which cannot be reliably measured and whose fair value cannot be estimated as there is no quoted price in the market.
- E) The borrowed amount of long-term borrowings uses the carried floating interest rates as its fair value. However, the fair value of other borrowings is estimated by using the discounted cash flows. The discount rate is based on the interest rate of long-term loans the Corporation could obtain.

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements**

3) Transfers of financial instruments between any levels

There were no transfers of financial instruments between any levels for the three months ended March 31, 2015 and 2014.

(q) Financial risk management

i) Briefings

The Group is exposed to the following risks arising from financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

ii) Structure of risk management

The Group's finance department provided business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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.

iii) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations, resulting in a 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 the financial assets, were recognized on the balance sheet.

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements**

iv) Liquidity risk

As of March 31, 2015, the Group's current assets amounted to \$6,702,055 thousand, which was less than the current liabilities amounting to \$32,649,118 thousand. Also, the Group incurred a loss on its total equity amounting to \$16,381,180 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 reorganization to the Taiwan Taichung District Court, which had been approved on April 27, 2015, with the case number-2014, Serial No. 2. Please refer to note 12.

v) Market risk

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

1) Currency risk

As of March 31, 2015 and 2014, the Group did not have any transaction which was based on functional currencies. Therefore, there was no currency risk.

2) Interest rate

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

(r) 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. The Court recognized and confirmed the reorganization plan on October 15, 2018, and approved it on December 11, 2018. In light of this, the Corporation is currently developing and implementing a reorganizational plan to ensure the benefits of its interested parties

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

7. Related-party transactions

(a) Parent company and ultimate controlling party

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

(b) Related-party transactions

Relationships between the Corporation and its subsidiaries

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

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements**

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

(c) Significant related party transactions

i) Receivables due from relate parties / Payables to related parties

Since 2015, 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.

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

1) Receivable due from relate parties

A) Accounts Receivables

	Accounts Receivable	March 31, 2015 Allowance for uncollectible accounts	Net
Dongguan Masstop	\$ 2,631,570	(2,631,570)	-
DongGuan Innolife	3,097	(3,097)	-
DongGuan Sheng Feng	103	(103)	-
	<u>\$ 2,634,770</u>	<u>(2,634,770)</u>	<u>-</u>

	Accounts Receivable	December 31, 2014 Allowance for uncollectible accounts	Net
Dongguan Masstop	\$ 2,688,907	(2,688,907)	-
DongGuan Innolife	3,131	(3,131)	-
DongGuan Sheng Feng	103	(105)	(2)
	<u>\$ 2,692,141</u>	<u>(2,692,143)</u>	<u>(2)</u>

B) Other Receivables

	Accounts Receivable	March 31, 2015 Allowance for uncollectible accounts	Net
Dongguan Masstop	\$ 1,214	(1,214)	-
DongGuan Innolife	31	(31)	-
DongGuan Sheng Feng	17	(17)	-
	<u>\$ 1,262</u>	<u>(1,262)</u>	<u>-</u>

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

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

2) Payables to related parties

A) Accounts Payable

	March 31, 2015	December 31, 2014	March 31, 2014
United Win China	\$ 5,210,254	5,268,656	-
Wintek China	1,537,768	1,567,799	-
Hannstar Display Corporation			271
	<u>\$ 6,748,022</u>	<u>6,836,455</u>	<u>271</u>

B) Other Payables

	March 31, 2015	December 31, 2014	March 31, 2014
Mactech	\$ 165,856	165,856	-
DongGuan Sheng Feng	29,495	29,825	-
Dongguan Masstop	1,495	1,515	-
	<u>\$ 196,846</u>	<u>197,196</u>	<u>-</u>

iv) Loans provided

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

	March 31, 2015			
	Amount	Impairment loss	Net Value	Interest Rate
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>	-	2.06%~3.28%
	<u>\$ 4,228,410</u>	<u>(4,228,410)</u>	<u>-</u>	

	December 31, 2014			
	Amount	Impairment loss	Net Value	Interest Rate
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>	-	2.06%~3.28%
	<u>\$ 4,228,810</u>	<u>(4,228,810)</u>	<u>-</u>	

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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

	March 31, 2015		December 31, 2014		March 31, 2014	
	Amount	Interest rate	Amount	Interest rate	Amount	Interest rate
Mactech	\$ <u>60,000</u>	2.41%	\$ <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:

	March 31, 2015	December 31, 2014	March 31, 2014
Dongguan Masstop	\$ <u>1,049,650</u>	<u>1,049,650</u>	<u>-</u>

- (d) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2015	2014
Short-term employee benefits	\$ 5,176	7,865
Post-employment benefits	<u>189</u>	<u>266</u>
	\$ <u>5,365</u>	<u>8,131</u>

8. Assets pledged as collateral or for security

The carrying values of pledged assets were as follows:

Pledged Assets	Object	March 31, 2015	December 31, 2014	March 31, 2014
Property, plant and equipment	Guarantee for borrowings	\$ 4,344,264	4,841,853	20,213,555
Prepayments for lease	Guarantee for borrowings	-	-	654,132
Investment properties	Guarantee for borrowings	234,890	237,516	228,710
Mortgaged time deposits (classified under other financial assets)	Guarantee for purchasing materials and researching	40,000	40,000	54,739
Restricted deposits (classified under other financial assets)	Guarantee for borrowings	395,875	365,144	183,734
		\$ <u>5,015,029</u>	<u>5,484,513</u>	<u>20,712,442</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

9. Significant contingent liabilities and unrecognized contractual commitments

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

(b) Unrecognized commitments were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Acquisition of property, plant and equipment	\$ <u> - </u>	<u> - </u>	<u> 5,049,681 </u>

(c) Under sales agreements, which expire 2014 and 2020, the Group should pay royalty fees at a percentage of the net sales of certain products or at a fixed amount. For the three months ended March 31 2015 and 2014, the royalty expenses were \$40 thousand and \$24,023 thousand, respectively.

10. Major Casualty Losses: None.

11. Significant Subsequent Events: None.

12. Other information

(a) Employee benefits, depreciation and amortization expenses

By function By item	January to March, 2015			January to March, 2014		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	30,753	52,889	83,642	1,381,598	294,240	1,675,838
Labor and health insurance	3,592	6,847	10,439	86,073	20,162	106,235
Pension	1,004	1,441	2,445	99,782	14,939	114,721
Others	2,913	2,066	4,979	680,473	38,513	718,986
Depreciation	327,054	30,459	357,513	1,166,155	75,351	1,241,506
Amortization	33	1	34	1,568	6,071	7,639

(b) Seasonality of operations

The operations of the Company are not affected by seasonality or periodicity.

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements**

(c) Reclassification

There were certain subjects and amounts in the consolidated financial report in March 31, 2014 that was reclassified for them to be consistent with the consolidated financial report in March 31, 2015. These reclassified subjects and amounts did not have any significant impact on the consolidated financial report in March 31, 2014.

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

As of March 31, 2015, the Group's accumulated deficit was \$44,303,872 thousand, and the consolidated current assets were \$6,702,055 thousand, which were less than the consolidated current liabilities amounting to \$32,649,118 thousand. The Corporation has issues on liquidity risk. The Corporation incurred a loss on its total equity amounting to \$16,381,180 thousand, which exceeded half of its shares that were issued. There were substantial doubts about the Corporation's ability to continue as a going concern. However, the consolidated financial statements in March 31, 2015, did not include any adjustments that might result to the extent that the Corporation may not be able to continue as a going concern.

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

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 temperately maintained.

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements**

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

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

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

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

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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

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

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

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

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

13. Segment Financial Information

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

(a) Information about reporting segments

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

	For the three month ended march31, 2015		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>99,297</u>	<u>154,425</u>	<u>253,722</u>
Total revenue	\$ <u>99,297</u>	<u>154,425</u>	<u>253,722</u>
Reported segment profit and loss	\$ <u>(35,125)</u>	<u>(54,626)</u>	<u>(89,751)</u>

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	For the three month ended march31, 2014		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>14,704,085</u>	<u>1,603,314</u>	<u>16,307,399</u>
Total revenue	\$ <u>14,704,085</u>	<u>1,603,314</u>	<u>16,307,399</u>
Reported segment profit and loss	\$ <u>(1,344,566)</u>	<u>(146,610)</u>	<u>(1,491,176)</u>