

(English Translation of Financial Report Originally Issued in Chinese)

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2015(Restated) and 2014(Restated)

(With Independent Auditors' Review Report Thereon)



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 kpmg.com/tw

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 June 30, 2015(Restated), and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 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 \$864,646 thousand, constituting 5.67% of consolidated total assets as of June 30, 2015, total liabilities amounting to \$1,788,811 thousand, constituting 5.56% of consolidated total liabilities as of June 30, 2015. The comprehensive income of these subsidiaries for the three months and six months ended June 30, 2015 amounted to a loss of \$38,417 thousand and 4,768 thousand, constituting 7.38% and 0.77% of the consolidated comprehensive income, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of Wintek and its subsidiaries in its investee companies of \$127,968 thousand as of June 30, 2015(Restated), and its equity in net earnings on these investee companies of \$(2,513) thousand and \$4,728 thousand for the three months and six months ended June 30, 2015(Restated), respectively, 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 June 30, 2015(Restated) and of its consolidated financial performance and its consolidated cash flows for the three months and six months ended June 30, 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 June 30, 2015(Restated), the Group’s accumulated deficit was \$44,810,646 thousand, and the consolidated current liabilities which were more than the consolidated current assets amounting to \$25,679,489 thousand. The Corporation has issues on liquidity risk. The Corporation incurred a loss on its total equity amounting to \$16,901,537 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 June 30, 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 12, 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 June 30, 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 August 12, 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

June 30, 2015, December 31, 2014 and June 30, 2014
(Expressed in thousands of New Taiwan dollars)

Assets	June 30, 2015		December 31, 2014		June 30, 2014		June 30, 2015		December 31, 2014		June 30, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Current assets:												
Cash and cash equivalents (Note 6(a))	\$ 4,622,122	30	2,571,340	15	5,443,997	7	\$ 2,567,718	17	2,642,510	15	19,054,643	25
Financial assets at fair value through profit or loss (Note 6(b))	-	-	17,322	-	27,040	-	-	-	5,503	-	142,695	-
Available-for-sale financial assets - current (Note 6(b))	352,987	2	322,218	2	379,024	1	6,465	-	19,267	-	32,229	-
Notes receivable (Note 6(c))	40	-	227	-	6,762	-	10,872,060	70	11,258,613	65	12,040,885	16
Accounts receivables (Note 6(c))	1,076,108	7	3,680,699	23	10,261,565	14	6,659,041	45	6,836,455	42	32	-
Other receivables (Note 6(c))	9,901	-	12,325	-	233,856	-	3,481,310	23	3,365,174	20	4,448,900	6
Other receivables - related (Note 7)	110,615	1	-	-	-	-	257,341	2	257,196	2	37	-
Inventories (Note 6(d))	1,104	-	148,450	1	10,166,948	13	27,505	-	95,152	1	4,854	-
Other financial assets (Note 6(b))	229,644	2	40,000	-	260,803	-	17,000	-	17,000	-	10,646	-
Other current assets	31,334	-	61,040	-	1,555,379	2	7,928,798	52	8,262,127	49	9,840,794	13
	<u>6,433,855</u>	<u>42</u>	<u>6,853,621</u>	<u>41</u>	<u>28,335,374</u>	<u>37</u>	<u>296,106</u>	<u>2</u>	<u>371,660</u>	<u>2</u>	<u>419,838</u>	<u>-</u>
Non-current assets:												
Financial assets carried at cost - non-current (Note 6(b))	30,087	-	51,100	-	148,895	-	-	-	-	-	5,679,083	8
Investments accounted for using equity method (Note 6(c))	159,798	1	229,973	1	-	-	-	-	-	-	48,933	-
Property, plant and equipment (Note 6(e))	7,867,839	52	8,588,290	52	44,145,726	58	-	-	-	-	-	-
Investment properties, net (Note 6(g))	231,588	2	237,516	1	226,080	-	-	-	-	-	-	-
Computer software	-	-	-	-	59,910	-	31,830	-	-	-	-	-
Goodwill	-	-	-	-	36,940	-	1,436	-	-	-	9,298	-
Deferred tax assets (Note 6(k))	-	-	-	-	1,243,446	2	33,266	-	3,337	-	5,737,314	8
Prepayments for equipment	-	-	-	-	977,767	1	32,146,610	211	33,133,992	196	51,732,867	68
Reimbursable deposits	16,957	-	35,255	-	69,358	-	-	-	-	-	-	-
Other financial assets - non-current (Note 6(b))	14,802	-	365,144	2	149,325	-	-	-	-	-	-	-
Long-term prepayments for lease (Note 6(h))	264,582	2	276,785	2	1,141,936	2	-	-	-	-	-	-
Other non-current assets (Note 6(i))	215,453	1	214,131	1	47,547	-	-	-	-	-	-	-
	<u>8,811,218</u>	<u>58</u>	<u>9,998,194</u>	<u>59</u>	<u>48,246,930</u>	<u>63</u>	<u>16,901,537</u>	<u>111</u>	<u>(16,282,179)</u>	<u>(96)</u>	<u>24,849,437</u>	<u>32</u>
Total assets	\$ 15,245,073	100	16,851,815	100	76,582,304	100	\$ 15,245,073	100	16,851,815	100	76,582,304	100
Liabilities and Stockholders' Equity												
Current liabilities:												
Short-term borrowings (Note 6(i))	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss (Note 6(b))	-	-	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payables	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payables - related (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	-	-	-	-
Other payables - related (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Provisions - current	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term borrowings (Note 6(i) and Note 8)	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
	<u>32,113,344</u>	<u>211</u>	<u>33,130,657</u>	<u>196</u>	<u>33,133,992</u>	<u>196</u>	<u>32,113,344</u>	<u>211</u>	<u>33,133,992</u>	<u>196</u>	<u>45,955,553</u>	<u>60</u>
Long-term borrowings (Note 6(i) and Note 8)												
Deferred tax liabilities (Note 6(k))	-	-	-	-	-	-	-	-	-	-	-	-
Investments accounted for using equity method in credit balance (Note 6(e))	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
	<u>31,830</u>	<u>-</u>	<u>1,436</u>	<u>-</u>	<u>36,940</u>	<u>-</u>	<u>31,830</u>	<u>-</u>	<u>3,337</u>	<u>-</u>	<u>9,298</u>	<u>-</u>
Total liabilities	32,146,610	211	33,133,992	196	33,133,992	196	32,146,610	211	33,133,992	196	51,732,867	68
Stockholders' equity attributable to parent (Note 6(k), 6(l) and 6(m)):												
Common stock	20,477,784	134	20,477,784	122	20,477,784	27	20,477,784	134	20,477,784	122	20,477,784	27
Capital surplus	6,806,380	45	6,807,615	40	6,807,615	9	6,806,380	45	6,807,615	40	6,807,615	9
Accumulated deficits	(44,810,646)	(294)	(44,142,642)	(262)	(3,058,926)	(4)	(44,810,646)	(294)	(44,142,642)	(262)	(3,058,926)	(4)
Other stockholders' equity	624,945	4	643,365	4	445,256	-	624,945	4	643,365	4	445,256	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Total stockholders' equity	(16,901,537)	(111)	(16,282,179)	(96)	(16,282,179)	(96)	(16,901,537)	(111)	(16,282,179)	(96)	(16,901,537)	(32)
Total liabilities and stockholders' equity	\$ 15,245,073	100	16,851,815	100	76,582,304	100	\$ 15,245,073	100	16,851,815	100	76,582,304	100

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three Months and Six Months ended June 30, 2015 and 2014

(Expressed in thousands of New Taiwan dollars)

	For the Three Months ended June 30				For the Six Months ended June 30			
	2015(Restated)		2014(Restated)		2015(Restated)		2014 (Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
Sales revenue	\$ 16,911	100	21,154,719	102	270,633	100	37,734,849	102
Less: Sales returns and allowances	-	-	349,608	2	-	-	622,339	2
Net sales revenue (Note 6(d))	16,911	100	20,805,111	100	270,633	100	37,112,510	100
Cost of goods sold	474,409	2,805	21,366,668	103	673,309	249	37,986,454	103
Gross loss	(457,498)	(2,705)	(561,557)	(3)	(402,676)	(149)	(873,944)	(3)
Operating expenses:								
Selling	17,402	103	150,809	-	178,353	66	293,357	1
Administrative	84,708	501	412,808	2	175,422	65	863,756	2
Research and development	11,050	65	371,985	2	52,041	19	709,266	2
	113,160	669	935,602	4	405,816	150	1,866,379	5
Operating loss	(570,658)	(3,374)	(1,497,159)	(7)	(808,492)	(299)	(2,740,323)	(8)
Non-operating income and expenses:								
Interest income	5,940	35	14,935	-	10,248	4	29,520	-
Dividend income	2,934	17	19,975	-	2,934	1	19,975	-
Gains on fair value adjustment-								
Investment properties	-	-	1,920	-	-	-	3,539	-
Other income	11,229	66	33,765	-	78,258	29	51,698	-
Gains on disposal of property, plant and equipment	-	-	7,602	-	-	-	10,261	-
Gains on disposal of investments	-	-	20,896	-	2,216	1	175,198	1
Foreign exchange gains (losses)	255,188	1,509	272,634	1	590,926	218	(93,869)	-
Gains on financial assets (liabilities) measured at fair value through profit (loss)	484	3	(183,823)	(1)	(3,452)	(1)	47,326	-
Share of (loss) gains of associates (Note 6 (e))	(2,513)	(15)	-	-	4,728	2	-	-
Finance expense (Note 6(i))	(200,248)	(1,184)	(301,771)	(1)	(459,144)	(170)	(597,435)	(2)
Miscellaneous disbursements	(9,527)	(56)	(5,464)	-	(15,144)	(6)	(6,285)	-
	63,487	375	(119,331)	(1)	211,570	78	(360,072)	(1)
Loss before income tax	(507,171)	(2,999)	(1,616,490)	(8)	(596,922)	(221)	(3,100,395)	(9)
Income tax expense (Note 6(k))	-	-	77,973	-	-	-	85,273	-
Consolidated net loss	(507,171)	(2,999)	(1,694,463)	(8)	(596,922)	(221)	(3,185,668)	(9)
Other comprehensive loss:								
Exchange differences on translation of foreign operations	(18,593)	(110)	(539,776)	(3)	(52,065)	(19)	(91,585)	-
Unrealized gain (loss) on available-for-sale financial assets	5,010	30	(44,777)	-	33,645	12	(121,848)	-
Other comprehensive loss, net of tax	(13,583)	(80)	(584,553)	(3)	(18,420)	(7)	(213,433)	-
Comprehensive loss	(520,754)	(3,079)	(2,279,016)	(11)	(615,342)	(228)	(3,399,101)	(9)
Net loss attributable to:								
Owners of the parent	(506,774)	(2,997)	(1,707,827)	(8)	(594,173)	(220)	(3,209,949)	(9)
Non-controlling interests	(397)	(2)	13,364	-	(2,749)	(1)	24,281	-
	(507,171)	(2,999)	(1,694,463)	(8)	(596,922)	(221)	(3,185,668)	(9)
Comprehensive loss attributable to:								
Owners of the parent	(520,357)	(3,077)	(2,292,416)	(11)	(612,593)	(227)	(3,423,595)	(9)
Non-controlling interests	(397)	(2)	13,400	-	(2,749)	(1)	24,494	-
	(520,754)	(3,079)	(2,279,016)	(11)	(615,342)	(228)	(3,399,101)	(9)
Basic earnings per common share (expressed in New Taiwan dollars) (Note 6(n))	\$	(0.25)	(0.89)		(0.29)		(1.71)	

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Six Months ended June 30, 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	Foreign currency translation difference	Unrealized gains (losses) on available-for-sale financial assets	Other stockholders' equity			
Balance as of January 1, 2014	\$ 18,477,784	15,604,397	(8,706,924)	284,694	370,440		26,030,391	153,214	26,183,605
Effects of retrospective application and retrospective restatement	-	-	151,023	3,768	-	-	154,791	-	154,791
Equity at beginning of period after adjustments	<u>18,477,784</u>	<u>15,604,397</u>	<u>(8,555,901)</u>	<u>288,462</u>	<u>370,440</u>		<u>26,185,182</u>	<u>153,214</u>	<u>26,338,396</u>
Issuance of capital stock for GDRs	2,000,000	(89,858)	-	-	-	-	1,910,142	-	1,910,142
Offset of deficit against capital surplus	-	(8,706,924)	8,706,924	-	-	-	-	-	-
Net loss	-	-	(3,209,949)	-	-	-	(3,209,949)	24,281	(3,185,668)
Other comprehensive (loss) income	-	-	-	(91,585)	(122,061)	-	(213,646)	213	(213,433)
Total comprehensive (loss) income	-	-	(3,209,949)	(91,585)	(122,061)	-	(3,423,595)	213	(3,399,101)
Balance as of June 30, 2014	<u>20,477,784</u>	<u>6,807,615</u>	<u>(3,058,926)</u>	<u>196,877</u>	<u>248,379</u>		<u>24,671,729</u>	<u>177,708</u>	<u>24,849,437</u>
Balance as of January 1, 2015	\$ 20,477,784	6,807,615	(44,142,642)	449,505	193,860		(16,213,878)	(68,301)	(16,282,179)
Net loss	-	-	(594,173)	-	-	-	(594,173)	(2,749)	(596,922)
Other comprehensive (loss) income	-	-	-	(52,065)	33,645	-	(18,420)	-	(18,420)
Total comprehensive (loss) income	-	-	(594,173)	(52,065)	33,645	-	(612,593)	(2,749)	(615,342)
Changes in controlling interests of the related companies	-	(1,235)	(73,831)	-	-	-	(75,066)	-	(75,066)
Changes in non-controlling interests	-	-	-	-	-	-	-	71,050	71,050
Balance as of June 30, 2015	<u>20,477,784</u>	<u>6,806,380</u>	<u>(44,810,646)</u>	<u>397,440</u>	<u>227,505</u>		<u>(16,901,537)</u>	<u>-</u>	<u>(16,901,537)</u>

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2015 and 2014
(Expressed in thousands of New Taiwan dollars)

	For Six Months ended June 30	
	2015	2014
	(Restated)	(Restated)
Cash flows from operating activities:		
Loss before income tax	\$ (596,922)	(3,100,395)
Adjustments:		
Adjustments for the non-cash effects of items of incomes and expenses:		
Depreciation expense	697,161	2,504,558
Amortization expense	52	14,970
Bad debt expense	167,349	-
Net loss (gain) on financial assets or liabilities at fair value through loss (profit)	3,452	(47,326)
Interest expense	459,144	597,435
Interest income	(10,248)	(29,520)
Dividend income	(2,934)	(19,975)
Share of profit of subsidiaries accounted for using equity method	(4,728)	-
Gains on disposal of property, plant and equipment	-	(10,261)
Gains on fair value adjustment- Investment properties	-	(3,539)
Gains on disposal of investments	(2,216)	(175,198)
Foreign exchange loss	224,667	231,796
Amortization of long term prepayments for lease	3,387	12,650
Other	(52,506)	206
Effect of changes in consolidated entities	3,619	-
Total adjustments for the non-cash effects of items of incomes and expenses	<u>1,486,199</u>	<u>3,075,796</u>
Net change in operating assets and liabilities:		
Net changes in operating assets:		
Decrease in financial instruments held for trading	8,367	285,357
Decrease in notes receivable	187	4,106
Decrease in account receivable	2,460,374	1,300,134
Decrease in other receivable	10,308	779,606
Decrease (increase) in inventories	145,767	(931,848)
Decrease in other current assets	28,045	506,256
Total net change in operating assets	<u>2,653,048</u>	<u>1,943,611</u>
Net changes in operating liabilities:		
Decrease in notes payable	(12,802)	(176,015)
(Decrease) increase in accounts payable	(837,068)	405,934
(Decrease) increase in other payable	131,565	(1,076,406)
Decrease in provisions	-	(6,542)
(Decrease) increase in other current liabilities	(44,116)	71,778
Total net change in operating liabilities	<u>(762,421)</u>	<u>(781,251)</u>
Total net change in operating assets and liabilities	<u>1,890,627</u>	<u>1,162,360</u>
Total adjustments	<u>3,376,826</u>	<u>4,238,156</u>
Cash inflows from operating activities	2,779,904	1,137,761
Interest received	4,304	27,793
Interest paid	(441,168)	(600,989)
Income taxes paid	(115,509)	(74,252)
Net cash from operating activities	<u>2,227,531</u>	<u>490,313</u>
Cash flows from investing activities:		
Acquisition of the available-for-sale financial assets	-	(19,851)
Proceeds of the disposal of available-for-sale financial assets	-	249,034
Proceeds of the disposal of financial assets at cost	75,736	-
Acquisition of property, plant and equipment	-	(777,284)
Proceeds of the disposal of property, plant and equipment	-	79,760
Decrease in refundable deposits	18,217	5,916
Acquisition of intangible assets	-	(22,354)
Decrease in other financial assets	159,410	52,990
Decrease in other non-current assets	1,984	3,990
Increase in prepayments for business facilities	(10,305)	(261,168)
Net cash from (used in) investing activities	<u>245,042</u>	<u>(688,967)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(73,014)	(2,423,937)
Decrease in short-term bills payable	-	(39,999)
Proceeds of long-term borrowings	-	484,001
Repayment of long-term borrowings	(214,193)	(1,225,651)
Refund of guarantee deposits received	(1,842)	(3,648)
Issuance of capital stock for GDRs	-	1,910,143
Net cash used in financing activities	<u>(289,049)</u>	<u>(1,299,091)</u>
Effect of exchange rate changes	<u>(132,742)</u>	<u>(127,053)</u>
Net increase (decrease) in cash and cash equivalents	2,050,782	(1,624,798)
Cash and cash equivalents, beginning of period	2,571,340	7,068,795
Cash and cash equivalents, end of period	<u>\$ 4,622,122</u>	<u>5,443,997</u>

See accompanying notes to consolidated financial statements.

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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 May 12, 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

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

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 IFRS 15 " <i>Explanation of the IFRS 15</i> "	January 1, 2018
Amended IAS 1 " <i>Disclosure-Initiative</i> "	January 1, 2016

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

New standards and amendments	Effective date per IASB
Amended IAS 7 " <i>Disclosure-Initiative</i> "	January 1, 2017
Amended IAS 12 " <i>Deferred Tax: Recovery of Underlying Assets</i> "	January 1, 2017
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 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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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).

(b) Basis of consolidation

i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	June 30, 2015	Shareholding December 31, 2014	June 30, 2014	Note
Wintek Corporation	Wintek Technology (Cayman) Corporation ("Wintek Technology Cayman")	Overseas reinvested holding company	100.00%	100.00%	100.00%	
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%	(6)
Wintek Corporation	United Win Investment Corporation ("United Win Investment")	Investment	100.00%	100.00%	100.00%	(6)
Wintek Corporation	Wintek Electro-Optics Corporation ("Wintek Electro-Optics")	Sells LCD/LCM products	100.00%	100.00%	100.00%	(4) (6)
Wintek Corporation	Wintek (Central Europe) GmbH ("Wintek Central Europe")	Sells LCD/LCM products	100.00%	100.00%	100.00%	(4) (6)
Wintek Corporation	Wintek International Holding (Cayman) Corporation ("Wintek International Holding")	Overseas reinvested holding company	100.00%	100.00%	100.00%	(6)
Wintek Corporation	Telestar Technology Corporation ("Telestar")	Sells consumer electronics	100.00%	100.00%	-	(2) (4) (6)
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%	
Masstop LLC	Masstop Asia Pacific Ltd. ("Masstop")	Overseas reinvested holding company and seller of LCD/LCM products	100.00%	100.00%	100.00%	(6)
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%	(6)
Wintek Electro-Optics	Wintek Far East	Overseas reinvested holding company	17.69%	17.69%	17.69%	(6)
Wintek Far East	Wintek India	Manufactures and sells LCD/LCM products	100.00%	100.00%	100.00%	(4) (6)

(Continued)

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

- 1) The Corporation and its president had lost control over “Mactech” in October 2014; thus, not consolidated in the Group’s consolidated financial statements.
- 2) The Corporation has invested in “Telestar” in February 2014, which gives the Corporation to gain control over “Telestar”; thus, consolidated in the Group’s consolidated financial statements.
- 3) Due to operating difficulty, certain subsidiaries in mainland China defaulted on loans. Since October 2014, the primary local creditors of these subsidiaries had applied to the jurisdiction of People's Court for seizure of these subsidiaries’ bank deposits and assets in order to collect claims. Under such circumstances, these subsidiaries had no other option but to announce the termination of all the businesses in China. The significant transactions between the Corporation and these subsidiaries had ceased beginning November 2014. Because the Corporation was unable to control the operation of these subsidiaries, the Corporation considered that it had lost control over in the following companies: a.) United Win China b.) Wintek China. c.) Dongguan Masstop; thus, they were not consolidated in the Group’s consolidated financial statements starting December 1, 2014. Furthermore, SuZhou Industrial Park People's Court rendered a ruling to approve the reorganization of United Win China on March 19, 2015. Dongguan Intermediate People's Court also rendered a ruling to approve the reorganization of Wintek China) and Dongguan Masstop on August 13, 2015.

Among these subsidiaries, the financial statements of United Win China in 2014 were unaudited. Meanwhile, Wintek China and Dongguan Masstop did not maintain adequate accounting records to provide sufficient information, such as the integrity of sales and purchase transactions. Therefore, we were not able to use alternative audit procedures to obtain sufficient and appropriate audit evidence. Basing on the financial statements of these subsidiaries, the total assets amounted to \$0 thousand as of December 31, 2014, and the net sales revenue was \$838,023 thousand, and 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) The Corporation had lost control over “WinPower” in May 2015; therefore, WinPower is no longer not included in the Group’s consolidated financial statements.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

ii) List of subsidiaries not in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2014	March 31, 2014	March 31, 2013	
Wintek Corporation	Mactech Corporation ("Mactech")	Manufactures machinery and equipment	23.99%	49.30%	49.30%	(1)
Wintek Corporation	WinPower Optronics Corporation ("WinPower")	Designs ICs	30.83%	30.83%	30.83%	(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).

(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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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.

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 annual consolidated financial statements in for the year ended December 31, 2014 for other related information.

(a) Cash and cash equivalents

	June 30, 2015	December 31, 2014	June 30, 2014
Cash on hand	\$ 16,508	311,112	12,540
Checking and savings accounts	2,687,318	1,623,668	4,475,421
Time deposits	<u>1,918,296</u>	<u>636,560</u>	<u>956,036</u>
	<u>\$ 4,622,122</u>	<u>2,571,340</u>	<u>5,443,997</u>

As of June 30, 2015, December 31 and June 30, 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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(b) Financial assets and liabilities

	June 30, 2015	December 31, 2014	June 30, 2014
Current:			
Financial assets at fair value through profit or loss			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	\$ -	-	27,040
Swap contracts	-	17,322	-
	<u>\$ -</u>	<u>17,322</u>	<u>27,040</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	\$ -	-	33,316
Swap contracts	-	-	99,078
Interest rate swap contracts	-	5,503	10,301
	<u>\$ -</u>	<u>5,503</u>	<u>142,695</u>
Available-for-sale financial assets			
Local investments			
Publicly listed stocks	\$ 352,987	322,218	335,969
Beneficiary certificates – funds	-	-	43,055
	<u>\$ 352,987</u>	<u>322,218</u>	<u>379,024</u>
Other financial assets			
Mortgaged time deposits	\$ -	40,000	182,307
Time deposits with original maturities of more than six months	229,644	-	78,496
	<u>\$ 299,644</u>	<u>40,000</u>	<u>260,803</u>
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.	9,260	9,260	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>

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	June 30, 2015	December 31, 2014	June 30, 2014
Other financial assets			
Restricted deposits	\$ 14,802	365,144	119,460
Mortgaged time deposits	-	-	29,865
	<u>\$ 14,802</u>	<u>365,144</u>	<u>149,325</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 June 30, 2015, outstanding swap contracts are as follows:

		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
		June 30, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD /USD	July 2, 2014 to March 5, 2014	TWD 8,690,663/USD 288,200

- 2) As of June 30, 2015, the outstanding forward exchange contracts that do not qualify for hedging accounting are as follows:

		June 30, 2014	
	Currency	Maturity Date	Notional Amount
Sell/buy	TWD/USD	August 7, 2014 to October 8, 2014	TWD 2,687,150/USD 90,000
Sell/buy	USD/CNY	July 9, 2014 to August 25, 2014	USD 57,876/CNY 356,016
Sell/buy	CNY/USD	July 9, 2014 to August 25, 2014	CNY 356,016/USD 57,876
Sell/buy	JYP/TWD	August 8, 2014	JYP 9,000 /USD 2,624

- 3) As of June 30, 2015, outstanding interest rate swap contracts are as follows:

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

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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

4) As of June 30, 2015, outstanding option contracts are as follows:

Contract Amount	Exercise period	December 31, 2014	
		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

- 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 June 30, 2015, December 31 and June 30, 2014, financial assets are pledged as collateral, please refers to Note 8.

(c) Notes and accounts receivable

	June 30, 2015	December 31, 2014	June 30, 2014
Notes receivables	\$ 40	227	6,762
Accounts receivable	4,491,127	6,988,686	10,287,676
Other receivables	69,539	71,962	233,856
Less: allowance for doubtful accounts	<u>(3,474,657)</u>	<u>(3,367,626)</u>	<u>(26,111)</u>
	<u>\$ 1,086,049</u>	<u>3,693,249</u>	<u>10,502,183</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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

The movements in allowance for uncollectible accounts receivable, notes receivables and other receivables for the six months ended June 30, 2015 and 2014 were as follows:

	June 30, 2015	June 30, 2014
Balance at January 1	\$ 3,367,626	26,127
Impairment loss recognized	167,349	-
Effect of movement in exchange rates	<u>(60,318)</u>	<u>(16)</u>
Balance at June 30	<u>\$ 3,474,657</u>	<u>26,111</u>

As of June 30, 2015, December 31 and June 30, 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
For Six Months ended June 30, 2014					
Ta Chong Bank	US\$ 64,486	US\$ 44,649	US\$ 16,861	2.31-2.90	US\$ 90,000
Bank of Taiwan	<u>84,133</u>	<u>84,133</u>	<u>-</u>	2.01-2.65	<u>80,000</u>
	<u>US\$ 148,619</u>	<u>US\$ 128,782</u>	<u>US\$ 16,861</u>		<u>US\$ 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 June 30, 2014, the Corporation had issued promissory notes to the banks, with the aggregate amounts of US\$170,000 thousand, as collateral.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(d) Inventories

	June 30, 2015	December 31, 2014	June 30, 2014
Finished goods	\$ 599,769	699,172	2,414,900
Less: provision for obsolescence and devaluation	<u>(599,769)</u>	<u>(630,099)</u>	<u>(567,084)</u>
	-	69,073	1,847,816
Work in process	1,220,954	1,426,671	6,601,442
Less: provision for obsolescence and devaluation	<u>(1,220,954)</u>	<u>(1,350,317)</u>	<u>(1,010,950)</u>
	-	76,354	5,590,492
Raw materials and supplies	1,034,734	1,061,848	3,473,610
Less: provision for obsolescence and devaluation	<u>(1,034,729)</u>	<u>(1,058,825)</u>	<u>(751,655)</u>
	5	3,023	2,721,955
Commodity	2,875	1,822	6,685
Less: provision for obsolescence and devaluation	<u>(1,776)</u>	<u>(1,822)</u>	<u>-</u>
	1,099	-	6,685
	<u>\$ 1,104</u>	<u>148,450</u>	<u>10,166,948</u>

The costs of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2015 and 2014 were \$474,409 thousand, \$21,366,668 thousand, \$673,309 thousand and \$37,986,454 thousand, respectively.

Due to selling the inventories, the Group recognized the reversal of provision for obsolescence and devaluation, which decreased the cost of sales by \$37,835 thousand and \$183,835 thousand, respectively, for the three months and six months ended June 30, 2015. The write-down of inventories for the three months and six months ended June 30, 2014 increased the cost of sales by \$433,303 thousand and \$572,898 thousand, respectively.

As of June 30, 2015, December 31 and June 30, 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 WinPower and Mactech in May 2015 and October 2014; thus, the investees were deemed associate of the Group.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	June 30, 2015	December 31, 2014	June 30, 2014
Associate – Mactech	\$ 159,797	229,973	-
Associate - WinPower	<u>(31,829)</u>	<u>-</u>	<u>-</u>
	<u>\$ 127,968</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 49.40% to 23.99%

The share of (loss) gain in the investment in associate as of June 30, 2015 and 2014 were \$(2,513) thousand, \$0 thousand, \$4,728 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 June 30, 2015, December 31 and June 30, 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	\$ 2,742,422	2,870,896	851,378	1,687	4,480	1,353	21,262	2,094,812	8,588,290
Balance at June 30, 2015	\$ 2,742,422	2,532,913	446,308	252	841	-	1,698	2,145,405	7,869,839
Balance at January 1, 2014	\$ 2,872,438	14,989,225	20,471,303	26,471	90,772	211,136	4,220,068	3,158,162	46,039,575
Balance at June 30, 2014	\$ 2,872,438	15,105,556	19,281,839	23,690	71,654	151,913	3,739,841	2,898,795	44,145,726

- i) There were no significant additions, disposal, or recognition and reversal of impairment losses of property, plant and equipment for the three months and six months ended June 30, 2015 and 2014. The information on depreciation for the period is discussed in Note 12. Please refer to the annual consolidated financial statements for the year ended December 31 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.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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 2014.

iv) Interest capitalized

Interest capitalized for purchasing property, plant, and equipment for the three months and six months ended June 30, 2015 and 2014 amounted to \$280 thousand, \$10,257 thousand, \$583 thousand and \$21,654 thousand, respectively. The interest capitalization rates were 1.57%~5.47%, 2.64%~5.85%, 1.57%~5.47% and 2.41%~5.91%, respectively.

v) Pledged as collateral

As of June 30, 2015, December 31 and June 30, 2014, please refer to note 8 for the information of the property, plant and equipment pledged as collateral.

vi) Others

For its building expansion, Mactech entered into a contract of \$47,247 thousand to buy a 3,874-square meter lot located on Tanxing Road in the Tanzi District in Taichung in December 2007. However, because this lot is classified as an agricultural land, the title to this lot is under the name of Mactech's president. Nevertheless, Mactech's president has signed a trust deed assigning Mactech as the beneficiary of this lot. As of December 31, 2014, Mactech recognized the whole impairment loss of this lot after Mactech assessed that this lot was under a great probability of impairment loss.

(g) Investment properties

The investment properties were leased out for 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:

	June 30, 2015	December 31, 2014	June 30, 2014
Not later than one year	\$ 3,328	3,378	3,195
Later than one year and not later than five years	<u>-</u>	<u>1,689</u>	<u>3,250</u>
	<u>\$ 3,328</u>	<u>5,067</u>	<u>6,445</u>

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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:

	June 30, 2015	December 31, 2014	June 30, 2014
Expected future cash inflows	\$ 232,718	238,675	229,389
Expected future cash outflows	<u>(1,130)</u>	<u>(1,159)</u>	<u>(1,108)</u>
Expected future cash inflows, net	<u>\$ 231,588</u>	<u>237,516</u>	<u>228,281</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 and six months ended June 30, 2015 and 2014 were \$816 thousand, \$1,646 thousand, \$1,664 thousand and \$3,289 thousand, respectively.

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

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.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

The Group's leased lands in June 30, 2014 were as follows and the Group's leased lands in June 30, 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

	June 30, 2015	December 31, 2014	June 30, 2014
Unsecured loans	\$ 2,567,718	2,642,510	17,895,099
Secured loans	-	-	1,159,544
	<u>\$ 2,567,718</u>	<u>2,642,510</u>	<u>19,054,643</u>
Interest rate (%)			
Unsecured loans	<u>1.47~2.30</u>	<u>1.47~2.30</u>	<u>0.90~3.73</u>
Secured loans	<u>-</u>	<u>-</u>	<u>3.82~6.00</u>

ii) Long-term borrowings

	Interest rate	June 30, 2015	December 31, 2014	June 30, 2014
Secured loans	1.65%~5.91%	\$ 7,748,059	8,082,948	9,127,245
Unsecured loans	2.17%~3.15%	180,739	179,179	6,066,328
Other loans	3.06%~6.03%	-	-	326,304
		<u>7,928,798</u>	<u>8,262,127</u>	<u>15,519,877</u>
Less: current portion		<u>(7,928,798)</u>	<u>(8,262,127)</u>	<u>(9,840,794)</u>
		<u>\$ -</u>	<u>-</u>	<u>5,679,083</u>

Default interest and penalty of its borrowings recognized for the three months and six months ended June 30, 2015, which was accounted for as the financial costs, were \$47,588 thousand and \$90,753 thousand, respectively.

(Continued)

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

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.

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 June 30, 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.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

In June 2012, Wintek China entered into a US\$180,000 thousand syndicated loan agreement with China Development Bank and Bank of China Limited - Dongguan Branch. Dongguan Masstop guaranteed this syndicated loan and provided machinery and equipment as loan collateral together with Wintek China. Under the loan agreement, Wintek China should (a) 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 June 30, 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		For the Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Operating costs	\$ (163)	476	(152)	953
Operating expenses	<u>(668)</u>	<u>119</u>	<u>(1,509)</u>	<u>242</u>
Total	<u><u>\$ (831)</u></u>	<u><u>595</u></u>	<u><u>(1,661)</u></u>	<u><u>1,195</u></u>

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 \$1,899 thousand, \$38,863 thousand, \$5,036 thousand and \$80,254 thousand for the three months and six months ended June 30, 2015 and 2014, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

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 \$515 thousand, \$62,317 thousand, \$653 thousand and \$135,047 thousand for the three months and six months ended June 30, 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 June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Current tax expense				
Current period	\$ -	9,146	-	16,989
Prior years income tax adjustment	<u>-</u>	<u>365</u>	<u>-</u>	<u>1,035</u>
	-	9,511	-	18,024
Deferred tax expense				
Recognition and reversal of temporary differences	<u>-</u>	<u>68,462</u>	<u>-</u>	<u>67,249</u>
Income tax expense	<u>\$ -</u>	<u>77,973</u>	<u>-</u>	<u>85,273</u>

ii) No income tax was recognized directly in equity for the three months and six months ended June 30, 2015 and 2014.

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

	June 30, 2015	December 31, 2014	June 30, 2014
Unappropriated earnings retained after January 1, 1998	\$ <u>(44,810,646)</u>	<u>(44,142,642)</u>	<u>(3,058,926)</u>
ICA balance	\$ <u>250,523</u>	<u>250,523</u>	<u>249,264</u>
		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.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

v) Income tax returns through 2014 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 June 30, 2015, December 31, 2014 and June 30, 2014, the total value of the nominal ordinary shares amounted to \$25,000,000 thousand, with actual capital received amounted to \$20,477,784 thousand. 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 June 30, 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

3) Issuance of global depositary receipts (GDRs)

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

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

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

As of June 30, 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

	June 30, 2015	December 31, 2014	June 30, 2014
Additional paid-in capital	\$ 6,757,584	6,757,584	6,757,584
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	<u>318</u>	<u>318</u>	<u>318</u>
Total	<u>\$ 6,806,380</u>	<u>6,807,615</u>	<u>6,807,615</u>

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

As of June 30, 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.

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

iii) Legal reserve

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

iv) Special reserve

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

v) Retained Earnings and Dividends Policy

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

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

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

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.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

For the six months ended June 30, 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	(52,065)	-	(52,065)
Unrealized gains and losses from available-for-sale financial assets	-	33,645	33,645
Balance at June 30, 2015	\$ <u>397,440</u>	<u>227,505</u>	<u>624,945</u>
Balance at January 1, 2014	\$ 288,462	370,440	658,902
Foreign exchange differences	(91,585)	-	(91,585)
Unrealized gains and losses from available for sale financial assets	-	(122,061)	(122,061)
Balance at June 30, 2014	\$ <u>196,877</u>	<u>248,379</u>	<u>445,256</u>

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

For the six months ended June 30, 2015, the Corporation had no profits; thus, no employee bonuses and remuneration to directors and supervisors were recognized.

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(n) Share-based payment arrangements

There were no significant changes in share-based payment arrangements for the three months and six months ended June 30, 2015 and 2014. Please refer to the annual consolidated financial statements for the year ended December 31 2014 for other related information.

(o) Earnings per share

Basic earnings per common share:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Comprehensive income	\$ <u>(506,774)</u>	<u>(1,707,827)</u>	<u>(594,173)</u>	<u>(3,209,949)</u>
Number of shares(In Thousands)	<u>2,074,784</u>	<u>1,915,910</u>	<u>2,074,784</u>	<u>1,882,033</u>
Basic earnings per common share(NT\$)	\$ <u>(0.25)</u>	<u>(0.89)</u>	<u>(0.29)</u>	<u>(1.71)</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 June 30, 2015, December 31, and June 30, 2014, the maximum amount exposed to credit risk were \$6,463,263 thousand, \$7,041,628 thousand and \$16,831,300 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.

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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:

	Foreign Currency	June 30, 2015			December 31, 2014			June 30, 2014		
		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	\$	82,484	31.860	2,643,544	174,166	31.650	5,512,358	995,214	29.865	29,722,069
USD:CNY	-	-	-	-	-	-	-	701,722	6.153	20,950,934
JPY:TWD	-	-	-	1,548	0.265	410	77,145	0.295	22,727	
Financial liabilities										
Monetary items										
USD:TWD		590,472	31.860	18,812,426	774,828	31.650	24,623,310	1,358,822	29.865	40,581,221
USD:CNY		-	-	-	-	-	-	1,322,492	6.153	39,496,220
JPY:TWD		1,369,435	0.252	345,650	1,757,883	0.265	465,136	1,156,933	0.295	340,832

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 June 30, 2015 and 2014 would have affected the net profit before tax \$165,145 thousand and \$297,225 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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

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 June 30, 2015 and 2014 would have affected the net profit before tax by \$10,497 thousand and \$34,575 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	June 30, 2015 Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Available-for-sale financial assets	\$ 352,987	352,987	-	-	352,987
Loans and receivables					
Cash and cash equivalents	4,622,122	-	-	-	-
Financial asset at cost	30,087	-	-	-	-
Notes and Accounts receivable	1,076,148	-	-	-	-
Other receivables	120,516	-	-	-	-
Other financial assets	244,446	-	-	-	-
Guarantee deposits paid	16,957	-	-	-	-
	<u>6,110,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>6,463,263</u>	<u>352,987</u>	<u>-</u>	<u>-</u>	<u>352,987</u>
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	\$ 2,567,718	-	-	-	-
Notes and accounts payable (including related parties)	17,537,566	-	-	-	-
Other payables (including related parties)	3,738,651	-	-	-	-
Long-term borrowings (including current portion)	7,928,798	-	-	-	-
Total	\$ <u>31,772,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	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	\$ <u>5,503</u>	<u>-</u>	<u>5,503</u>	<u>-</u>	<u>5,503</u>
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>
June 30, 2015					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 27,040	-	27,040	-	27,040
Available-for-sale financial assets	<u>379,024</u>	<u>379,024</u>	<u>-</u>	<u>-</u>	<u>379,024</u>
	<u>406,064</u>	<u>379,024</u>	<u>27,040</u>	<u>-</u>	<u>406,064</u>
Loans and receivables					
Cash and cash equivalents	5,443,997	-	-	-	-
Financial asset at cost	148,895	-	-	-	-
Notes and Accounts receivable	10,268,327	-	-	-	-
Other receivables	233,856	-	-	-	-
Other financial assets	410,128	-	-	-	-
Guarantee deposits paid	<u>69,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>16,574,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>16,980,625</u>	<u>379,024</u>	<u>27,040</u>	<u>-</u>	<u>406,064</u>

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

	June 30, 2015				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>142,695</u>	-	<u>142,695</u>	-	<u>142,695</u>
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	19,054,643	-	-	-	-
Notes and accounts payable (including related parties)	12,073,146	-	-	-	-
Other payables (including related parties)	4,448,937	-	-	-	-
Long-term borrowings (including current portion)	<u>15,519,877</u>	-	-	-	-
	<u>51,096,603</u>	-	-	-	-
Total	\$ <u>51,239,298</u>	-	<u>142,695</u>	-	<u>142,695</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.

(Continued)

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 and six months ended June 30, 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.

(Continued)

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

iv) Liquidity risk

As of June 30, 2015, the Group's current assets amounted to \$6,433,855 thousand, which was less than the current liabilities amounting to \$32,113,344 thousand. Also, the Group incurred a loss on its total equity amounting to \$16,901,537 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 June 30, 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. In light of this, the Corporation is currently developing and implementing a reorganizational plan to ensure the benefits of its interested parties

(Continued)

WINTEK CORPORATION 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
Telestar Technology Corporation (“Telestar”)	Associate
United Win Technology (Cayman) Corporation (United Win Cayman)	Subsidiary
United Win (H.K.) Technology Limited (United Win H.K.)	Subsidiary
Wintek Technology (H.K.) Limited (Wintek Technology H.K.)	Subsidiary
Masstop Asia Pacific Ltd. (Masstop Asia)	Subsidiary
Wintek International (Samoa) Corporation (Wintek Samoa)	Subsidiary
Wintek Vietnam Co., Ltd.(Wintek Vietnam)	Subsidiary
Wintek Far East (Cayman) Corporation (Wintek Far East)	Subsidiary
Wintek Technology (India) Private Limited (Wintek India)	Subsidiary
United Win (China) Technology Limited (United Win China)	(Note.3)
Wintek (China) Technology Ltd. (Wintek China)	(Note.4)
Dongguan Masstop Liquid Crystal Display Co., Ltd. (Dongguan Masstop)(Note.5)	Associate
DongGuan Sheng Feng Import and Export Trading Co., Ltd. (DongGuan Sheng Feng)(Note.6)	Associate
DongGuan Innolife Electronic Technology Co., Ltd. (DongGuan Innolife)(Note.6)	Associate

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WINTEK CORPORATION 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) Purchase of stocks

The amounts of stock purchase of the Group from its related parties were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
The main management level of the Group				
Hannstar Display Corporation \$	<u>-</u>	<u>33</u>	<u>-</u>	<u>407</u>

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

The purchase prices from the related parties were based on the individual product characteristic and its related market condition; the credit periods were 15 days, T/T 60 days or T/T 90 days.

ii) 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.

1) Receivable due from relate parties

A) Accounts Receivables

	Accounts Receivable	June 30, 2015 Allowance for uncollectible accounts	Net
Dongguan Masstop	\$ 2,631,570	(2,631,570)	-
DongGuan Innolife	3,097	(3,097)	-
DongGuan Sheng Feng	<u>103</u>	<u>(103)</u>	<u>-</u>
	<u>\$ 2,634,770</u>	<u>(2,634,770)</u>	<u>-</u>
		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	<u>103</u>	<u>(105)</u>	<u>(2)</u>
	<u>\$ 2,692,141</u>	<u>(2,692,143)</u>	<u>(2)</u>

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

B) Other Receivables

	Accounts Receivable	June 30, 2015 Allowance for uncollectible accounts	Net
Dongguan Masstop	\$ 1,214	(1,214)	-
DongGuan Innolife	43	(31)	12
DongGuan Sheng Feng	17	(17)	-
Mactech	284	-	284
	<u>\$ 1,558</u>	<u>(1,262)</u>	<u>296</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>

2) Payables to related parties

A) Accounts Payable

	June 30, 2015	December 31, 2014	June 30, 2014
United Win China	\$ 5,137,041	5,268,656	-
Wintek China	1,516,142	1,567,799	-
Hannstar Display Corporation	5,858	231,140	32
DongGuan Sheng Feng	-	(2)	-
WinPower	225,371	-	-
	<u>\$ 6,884,412</u>	<u>7,067,593</u>	<u>32</u>

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WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

B) Other Payables

	June 30, 2015	December 31, 2014	June 30, 2014
Mactech	\$ 167,535	165,856	-
DongGuan Sheng Feng	29,080	29,825	-
Dongguan Masstop	713	1,515	-
DongGuan Innolife	13	-	-
Hannstar Display Corporation	16	17	37
Huang, Hieng - Hsiung	<u>10,318</u>	<u>10,581</u>	<u>-</u>
	<u>\$ 207,675</u>	<u>207,794</u>	<u>37</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:

	Amount	June 30, 2015 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	1,867,275	(1,867,275)	-	2.06%~3.28%
WinPower	<u>110,319</u>	<u>-</u>	<u>110,319</u>	2.86%
	<u>\$ 4,338,729</u>	<u>(4,228,410)</u>	<u>110,319</u>	

	Amount	December 31, 2014 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>	<u>-</u>	2.06%~3.28%
	<u>\$ 4,228,410</u>	<u>(4,228,410)</u>	<u>-</u>	

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

	June 30, 2015		December 31, 2014		June 30, 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>	

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

v) Endorsements / Guarantees given to related parties

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

	June 30, 2015	December 31, 2014	June 30, 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 June 30		For the Six Months ended June 30	
	2015	2014	2015	2014
Short-term employee benefits	\$ 3,016	20,106	8,192	27,971
Post-employment benefits	<u>1</u>	<u>272</u>	<u>199</u>	<u>538</u>
	<u>\$ 3,017</u>	<u>20,378</u>	<u>8,391</u>	<u>28,509</u>

8. Assets pledged as collateral or for security

The carrying values of pledged assets were as follows:

Pledged Assets	Object	June 30, 2015	December 31, 2014	June 30, 2014
Property, plant and equipment	Guarantee for borrowings	\$ 4,239,775	4,841,853	19,557,054
Prepayments for lease	Guarantee for borrowings	-	-	637,627
Investment properties	Guarantee for borrowings	231,588	237,516	226,080
Mortgaged time deposits (classified under other financial assets)	Guarantee for purchasing materials and researching	-	40,000	119,460
Restricted deposits (classified under other financial assets)	Guarantee for borrowings	14,802	365,144	212,172
		<u>\$ 4,486,165</u>	<u>5,484,513</u>	<u>20,752,393</u>

9. Significant contingent liabilities and unrecognized contractual commitments

- (a) As of June 30, 2015, December 31 and June 30, 2014, the unused letters of credit for the purchases of raw materials and machinery, and equipment, amounted to \$0 thousand, \$0 thousand and \$1,521,804 thousand, respectively.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(b) Unrecognized commitments were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Acquisition of property, plant and equipment	\$ <u>-</u>	<u>-</u>	<u>4,821,101</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 and six months ended June 30, 2015 and 2014, the royalty expenses were \$2,152 thousand, \$24,280 thousand, \$2,192 thousand and \$48,303 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	April to June, 2015			April to June, 2014		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	20,410	30,491	50,901	1,374,819	270,355	1,645,174
Labor and health insurance	2,985	3,821	6,806	83,689	19,836	103,525
Pension	1,087	496	1,583	87,682	14,093	101,775
Others	979	978	1,957	789,571	28,462	818,033
Depreciation	311,644	28,004	339,648	1,190,042	73,006	1,263,048
Amortization	18	-	18	1,260	6,071	7,331

By function By item	January to June, 2015			January to June, 2014		
	Cost of goods sold	Operating Expenses	Total	Cost of goods sold	Operating Expenses	Total
Employee benefits						
Salary	51,163	83,380	134,543	2,756,417	564,595	3,321,012
Labor and health insurance	6,577	10,668	17,245	169,762	39,998	209,760
Pension	2,091	1,937	4,028	187,464	29,032	216,496
Others	3,892	3,044	6,936	1,470,044	66,975	1,537,019
Depreciation	638,698	58,463	697,161	2,356,197	148,361	2,504,558
Amortization	51	1	52	2,828	12,142	14,970

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES**Notes to Financial Statements****(b) Seasonality of operations**

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

(c) Reclassification

There were certain subjects and amounts in the consolidated financial report in June 30, 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 June 30, 2014.

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

As of June 30, 2015, the Group's accumulated deficit was \$44,810,646 thousand, and the consolidated current assets were \$6,433,855 thousand, which were less than the consolidated current liabilities amounting to \$32,113,344 thousand. The Corporation has issues on liquidity risk. The Corporation incurred a loss on its total equity amounting to \$16,901,537 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 June 30, 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 declared their rights, in which the Taiwan Taichung District Court had already examined on June 5, 2014, they would no longer be able to exercise them according to the reorganization procedures

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

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

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

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

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

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

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

Lighting business), and disposal of un-mortgaged assets (including disposal by domestic and overseas investee companies). The proceeds from asset disposal will be allotted for repayment after deducting the necessary expenses in certain portion.

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

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

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

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

Please refer to the Corporation's reorganization 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.

(Continued)

WINTEK CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

(a) Information about reporting segments

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

	For the Three Months ended June 30, 2015		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>699</u>	<u>16,212</u>	<u>16,911</u>
Reported segment profit and loss	\$ <u>(20,963)</u>	<u>(486,208)</u>	<u>(507,171)</u>

	For the Three Months ended June 30, 2014		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>19,206,143</u>	<u>1,598,968</u>	<u>20,805,111</u>
Reported segment profit and loss	\$ <u>(1,564,236)</u>	<u>(130,227)</u>	<u>(1,694,463)</u>

	For the Six Months ended June 30, 2015		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>99,996</u>	<u>170,637</u>	<u>270,633</u>
Reported segment profit and loss	\$ <u>(220,556)</u>	<u>(376,366)</u>	<u>(596,922)</u>

	For the Six Months ended June 30, 2014		
	Touch Panels	Other	Total
Revenue:			
Third-party customers	\$ <u>33,910,228</u>	<u>3,202,282</u>	<u>37,112,510</u>
Reported segment profit and loss	\$ <u>(2,910,790)</u>	<u>(274,878)</u>	<u>(3,185,668)</u>